STEEL AUTHORITY OF INDIA LIMITED


Shri Arvind Pande


Shri V. Gujral


Shri K.A.P. Singh


Shri S.B. Singh


Shri A.K. Singh


Shri U.K. Mittal


Dr. B.N. Singh


Shri V.S. Jain


Shri G.S. Garcha

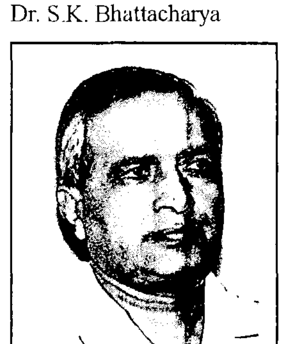

Shri M.K. Moitra


Shri B.K. Singh


Dr. S.K. Bhattacharya


Shri S.C.K. Patne


Shri Gopeshwar


Shri Naresh Narad

BOARD OF DIRECTORS

(As on 04.08.1997)

Chairman
Shri Arvind Pande

Managing Directors

Bhilai Steel Plant
Shri V. Gujral

Bokaro Steel Plant
Shri K.A.P. Singh

Durgapur Steel Plant
Shri S.B. Singh

Rourkela Steel Plant
Shri A.K. Singh

Functional Directors

Commercial
Shri U.K. Mittal

Personnel
Dr. B.N. Singh

Finance
Shri V.S. Jain

Raw Materials
Shri G.S. Garcha

Corporate Planning
Shri M.K. Moitra

Projects
Shri B.K. Singh

Research & Development
Dr. S.K. Bhattacharyya

Directors

Shri Gopeshwar
Shri S.C.K. Patne
Shri Naresh Narad

Executive Director & Company Secretary

Shri L.A.K. Sinha

Bankers

State Bank of India
Punjab National Bank
United Bank of India
Bank of Baroda
Syndicate Bank
Union Bank of India
Bank of India
Canara Bank
Indian Overseas Bank
State Bank of Patiala
Bank of Maharashtra
Oriental Bank of Commerce
Punjab & Sind Bank
Jammu & Kashmir Bank
State Bank of Saurashtra
Central Bank of India
State Bank of Hyderabad
ANZ Grindlays Bank
Bank of America
Deutsche Bank

Statutory Auditors

M/s. Ray & Ray
Chartered Accountants

M/s. A.K. Sabat & Co.
Chartered Accountants

M/s. Lodha & Co.
Chartered Accountants

M/s. K.K. Soni & Co.
Chartered Accountants

M/s. P.A. & Associates
Chartered Accountants

Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003
Phone : 4690481(14 Lines); Fax: 4694015
Gram : STEELINDA
Internet : www.sail.co.in
E.Mail : corporate.delhi@sail.sprintrpg.ems.vsnl.net.in

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NOTICE

STEEL AUTHORITY OF INDIA LIMITED

REGISTERED OFFICE: ISPAT BHAWAN, LODI ROAD
NEW DELHI-110003

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Thursday, the 25th September, 1997 at NDMC Indoor Stadium, Talkatora Garden, New Delhi-110001 to transact the following business:

i) To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1997, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.

ii) To declare a dividend.

iii) To appoint Directors in place of those retiring.

SPECIAL BUSINESS

iv) To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Mr. B.K. Singh who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

v) To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Mr. A.K. Singh who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

vi) To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** Dr. S.K. Bhattacharyya who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

vii) To consider and, if thought fit, to pass with or without modification the following Resolution as a SPECIAL RESOLUTION:

"**RESOLVEDTHAT** in supersession of the Resolution passed at the Annual General Meeting held on 23rd September, 1996, consent be and is hereby accorded to the Board of Directors of the Company pursuant to section 293(1)(d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the Bankers of the Company in the ordinary course of the business) shall not exceed in the aggregate at any one time Rs.18,000 crores."

viii) To consider and, if thought fit, to pass with or without modification the following Resolution as a SPECIAL RESOLUTION:

"**RESOLVED THAT** approval of shareholders be and is hereby accorded to the substitution of Article 73(b)(i) and 84(18)(ii) of the Articles of Association of the Company by the following:

Article 73(b)(i)

Programme of capital expenditure for schemes exceeding Rs.100 crores or such other financial limit prescribed by the Central Government from time to time and with such terms and conditions as may be prescribed.

Where the Detailed Project Reports have been prepared with estimates of different component parts of the projects and where such reports have been approved by the President, it shall not be necessary for the Board to obtain the President's sanction to the incurrence of capital expenditure and the Board of Directors shall have the power to

sanction the same, subject to the provision in the sanctioned estimates, for each component part and the limits prescribed by Central Government above shall not apply. Provided further that in cases of variations in approved estimates which are not more than 10% for any particular part, the Board of Directors shall be competent to proceed with the work without further reference to the President provided there is no substantial variation in the scope of the Project.

Article 84(18)(ii)

To authorise undertaking of works of a capital nature not exceeding Rs.100 crores or such other financial limit prescribed by the Central Government from time to time and with such terms and conditions as may be prescribed and not covered by Clause 84(18)(i), if required to be taken up in advance of preparation of a Detailed Project Report or otherwise as individual work whether as part of existing or new schemes, provided that:

a) the funds required will be found within the budget allocation for the Company for that financial year; and

b) the expenditure on such works in subsequent years will be the first call on the respective allocations."

ix) To consider and, if thought fit, to pass with or without modification the following Resolution as an ORDINARY RESOLUTION:

"**RESOLVED THAT** pursuant to provisions of Section 396 and other applicable provisions, if any, of the Companies Act, 1956, the approval of shareholders is hereby given to amalgamation of the Company, Visvesvaraya Iron & Steel Limited with this Company as per the draft scheme laid before this meeting with such alteration or modifications thereof as may be directed by the Central Government."

By order of the Board of Directors

(L.A.K. Sinha)
Executive Director &
Company Secretary

New Delhi
4th August, 1997

Registered Office:
Ispat Bhawan, Lodi Road, New Delhi-110003

Notes:

1. The relevant Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. IV to IX above are annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ENCLOSED AT THE END OF ANNUAL REPORT.

3. Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.

4. Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.

5. The Register of Members of the Company will remain **closed from 29th August, 1997 to 25th September, 1997 (both days inclusive).**

6. Members should notify change in their addresses, if any, specifying full address in block letters with **PIN CODE** of their post offices, which is mandatory.

7. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Shares Department enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.

8. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company atleast 7 days before the meeting so that relevant information can be kept ready at the meeting.

9. The Shares Department of the Company is located at **4th Floor, 'Arunachal', 19 Barakhamba Road, New Delhi - 110001** and is open for public dealings between 10.00 a.m. and 4.00 p.m. from Monday to Saturday except 2nd & 4th Saturdays and holidays. Members are advised to send all correspondence(s)/Documents relating to transfer of shares, dividend only to Shares Department.

10. Payment of dividend as recommended by the Board, if approved at the meeting, will be made to those members whose names appear on the Register of Members of the Company as on 25th day of September, 1997.

11. Members who have not encashed the dividend warrant(s) so far for the years 1993-94, 1994-95 and 1995-96 are requested to make their claims to the Company immediately for its revalidation and subsequent encashment.

12. The amount of unclaimed dividend for and upto the financial year ended 31st March, 1993 has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205-A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said period may claim the same by submitting the application in prescribed form-II to the Registrar of Companies, N.C.T. of Delhi and Haryana, Paryavaran Bhawan, CGO Complex, Lodi Road, New Delhi - 110003.

13. **Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**

14. ***No Brief case or Bag will be allowed to be taken inside the auditorium.***

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. (iv)

Mr. B.K. Singh was appointed as Additional Director of the Company with effect from 23rd September, 1996 (A.N.) and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under section 257 of the said Act has been received from a member signifying his intention to propose the name of Mr. B.K. Singh for appointment as a Director of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

Item No. (v)

Mr. A.K. Singh was appointed as Additional Director of the Company with effect from 9th December, 1996 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under section 257 of the said Act has been received from a member signifying his intention to propose the name of Mr. A.K. Singh for appointment as a Director of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

Item No. (vi)

Dr. S.K. Bhattacharyya was appointed as Additional Director of the Company with effect from 12th June, 1997 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under section 257 of the said Act has been received from a member signifying his intention to propose the name of Dr. S.K. Bhattacharyya for appointment as a Director of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

Item No. (vii)

Pursuant to the provisions of clause (d) of sub-section (1) of section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid up capital of the Company and its free reserves at any one time except with the consent of shareholders of the Company in the General Meeting. At the Annual General Meeting of the Company held on 23rd September, 1996 consent of the members had been obtained for the Directors to borrow upto the maximum amount of Rs.15000 crores. The modernisation programmes of the Company are in full swing and it would be needing substantial amount of funds for financing modernisation programmes of Bokaro and Rourkela Steel Plants, Additions, Modifications and Replacements (AMRs) and other capital schemes and also for meeting operational requirements in the years to come. The borrowing limit of the Company presently at Rs.15000 crores approved by the shareholders is likely to exceed soon. Your Directors, therefore, place before you the proposal to increase the maximum borrowing limit upto Rs.18000 crores.

None of the Directors of your Company is interested or concerned in this Resolution.

Item No. (viii)

The Government of India Ministry of Industry, Department of Public Enterprises vide their Office Memorandum No.DPE/16/22/90-Fin dated 6th May, 1997 communicated the revised delegation of powers of the Board of Directors to sanction capital expenditure. Since the gross block of the Company is more than Rs.500 crores, the power to Board to sanction expenditure on Capital Schemes without prior approval of the Government would now be Rs.100 crores or any further revision of power by Government from time to time. The existing powers of the Board on capital expenditure as communicated by the Government earlier were included in Article 73(b)(i) and 84(18)(ii) of Articles of Association of the Company. Due to revision of powers of the Board of Directors on capital expenditure and to cater to the need arising out of further revision of powers by Government from time to time, it would be necessary to amend the Articles of Association of the Company. Your Directors, therefore, place before you the proposal to amend the Articles of Association of the Company.

None of the Directors of your Company is interested or concerned in this Resolution.

Item No. (ix)

Visvesvaraya Iron and Steel Limited (VISL), a subsidiary of SAIL having its Registered Office at Bhadravati, Karnataka, is one of the oldest Steel Plants in the country which was set up under the inspiration of the Engineer, Statesman and Visionary, Sir M. Visvesvaraya. The plant is situated near huge iron deposits of good quality. In order to improve the performance of VISL, it is necessary to upgrade the technological health of the plant. Its merger in Steel Authority of India Limited (SAIL) would provide the right opportunity for technical upgradation and better access to SAIL's rich technical expertise.

Government of India, Ministry of Steel vide their letter No.13(26)/96-SAIL-V, dated 15th April, 1997 has conveyed its approval for merger of Visvesvaraya Iron & Steel Limited with SAIL under Section 396 of the Companies Act, 1956. As a part of merger package following concessions have been agreed to by the Government of India:

— Relief from Steel Development Fund (SDF) limited to accumulated losses and other liabilities estimated at Rs. 248 crores based on audited accounts of VISL.

— Continuance of grant from National Renewal Fund (NRF) of Rs. 8 crores per year during the next five years even after merger with SAIL towards Voluntary Retirement Scheme.

Government of Karnataka had also agreed to transfer its equity holding of 67766750 shares at a token price of Re.1/- and further agreed to extend, inter-alia, the following concessions:

— Sales tax exemption on Pig Iron for 4 years and on other finished/semi-finished products for a period of 3 years.

— Implementation of all existing MOUs/Agreements.

— Assured supply of agreed quantity of power as envisaged in MOU and carry forward of short supplies to subsequent years.

Government of Karnataka has already transferred 67766750 equity shares of Rs.10/- each in favour of Steel Authority of India Limited and thereby VISL became a wholly owned subsidiary of SAIL w.e.f. 23rd May, 1997.

A draft scheme of amalgamation duly approved by Board of Directors and shareholders of SAIL and VISL is required to be submitted to Department of Company Affairs for approving the scheme and issue necessary order to this effect. The scheme has already been approved by Board of Directors and shareholders of VISL.

The draft scheme as approved by Board of Directors of SAIL duly initialled by Chairman is available at Registered office of SAIL at Ispat Bhawan, Lodi Road, New Delhi - 110003 during business hours on any working day and would also be available at the venue of AGM for inspection by any of the members.

Your directors, therefore, place before you this scheme of amalgamation of VISL with your Company for approval of shareholders and authorising Chairman of the Company for making such alterations as may be required , and also authorising Secretary of the company to take all necessary steps in connection with filing of application and other such acts as may be necessary for amalgamation of VISL with this Company.

None of the Directors of your Company is interested or concerned in this Resolution.

By order of the Board of Directors

(L.A.K. Sinha)
Executive Director &
Company Secretary

New Delhi
4th August, 1997

Registered Office:
Ispat Bhawan, Lodi Road, New Delhi-110003

DIRECTORS' REPORT

To
The Members

The Directors have pleasure in presenting the Twenty-fifth Annual Report of the Company together with audited accounts for the year ended 31st March, 1997.

FINANCIAL REVIEW

During the year, the Company has achieved a turnover of Rs.14131.22 crores (Previous year Rs.14710.21 crores). The profit before tax at Rs.588.03 crores (Previous year Rs.1318.61 crores) is after providing for interest of Rs.1179.48 crores (Previous year Rs.808.37 crores) and depreciation of Rs.690.70 crores (Previous year Rs.584.81 crores). After providing for Minimum Alternate Tax(MAT) of Rs.75.86 crores (Previous year Nil) and write-back of excess tax provision for earlier years of Rs.3 crores, the Net Profit after tax is Rs.515.17 crores (Previous year Rs.1318.61 crores).

The Directors recommend for your approval a dividend at the rate of 2.5 per cent on the paid-up equity capital as at 31st March, 1997 amounting to Rs.103.26 crores. The Company has also made a provision of Rs.10.33 crores towards dividend tax.

1996-97 was a difficult year for the steel industry as it faced sluggish demand for steel. There was greater competition from imports due to lower international prices compounded by further reduction in custom duties and also enhancement in supplies in the domestic market which resulted in greater stress on margins. Further, the profits of the Company were adversely affected by abnormal escalations in input prices primarily of coking coal, petroleum products, power, transportation, and higher interest costs which could not be fully neutralised despite higher volume of production, better techno-economic parameters and cost reduction measures. The market situation did not allow for matching increase in output prices to neutralise the adverse impact.

The Company during the year has raised Rs.965 crores through issue of non-convertible bonds through private placement to various financial institutions, banks, trusts etc. for financing the company's modernisation and other capital schemes. Despite tight money market conditions, Public Deposit Scheme of the company could attract an all time high deposits of Rs.1908.49 crores as on 31.3.97, which increased from Rs.1652.56 crores as on 31.3.96. The Public Deposit Scheme is being operated totally in-house and provides services to around one lakh fifty thousand depositors.

SALES & MARKETING REVIEW

Industrial production during the year continued to increase but at a rate much slower than the previous year. During the year, the product-mix was constantly reviewed and adjusted to make it market oriented. Specific segments like construction, tube-makers, furniture, etc. were identified and supplies were made in the customised sizes to match their exact requirements. The long term relationship with the major customers in the form of Memorandum of Understanding (MOU) yielded benefits in terms of better customer satisfaction and also helped to retain the company's customer base. Order booking systems and after sales services were constantly monitored and modified to suit the market requirements in addition to intensified customer contact and feed-back system.

As a result of the above measures, the company marketed about 8.1 million tonnes of saleable steel and 0.5 million tonnes of pig iron in domestic and international markets during the year.

The constant efforts to market steel internationally yielded a good export market and over 0.5 million tonnes were exported giving an export realisation of Rs.641.63 crores. Steel products namely Plates, HR Coils / Sheets, Billets, Slabs, Structurals, CR Coils/ Sheets, Wire Rods in Coils and Deformed Bars, Alloy Steels and Stainless Steel were exported to USA, Japan, Korea, Malaysia, Thailand, Indonesia and European Countries.

PRODUCTION REVIEW

The company faced abnormal rise in the cost of inputs during 1996-97 and responded by improving efficiency of operations and controlling expenditure. Entire operations were optimised focussing on better productivity, cost reduction and quality improvement. This resulted in significant improvement in major efficiency parameters. Energy consumption at 8.4 G.cal/tcs reduced by 3.3 per cent, coke rate at 620 kg/thm came down by 5 per cent and refractory consumption at 20.86 kg/tcs down by 8 per cent over previous year. Blast Furnace productivity went up by 6.5 per cent during the year. Production through BOF-Concast route increased by 13 per cent.

The four integrated steel plants and two alloy/special steel plants produced 11.39 million tonnes of hot metal, 10.56 million tonnes of crude steel and 9.23 million tonnes of saleable steel, with a growth of 5 per cent in hot metal and 3 per cent in crude steel and 1 per cent in saleable steel over previous year. Improvement in production and techno-economic parameters has been particularly significant at Durgapur Steel Plant where most of the modernisation facilities were completed during the year. Captive power generation in company's power plant at 423 MW was higher by 8 per cent over previous year and was 55 per cent of company's power requirements.

Two pronged strategy of cost control on the one hand and market led product-mix on the other helped to face growing competition for company's products. Some of the innovative cost control measures adopted are use of LD slag in iron making to substitute raw fluxes, slag splashing with Nitrogen in LD converters to improve lining life and charging of smaller size coke fractions in blast furnaces alongwith sinter. Product-mix was continuously oriented towards specific needs of different market segments.

Raw Materials

The Company met almost total requirement of its iron ore and half of fluxes requirements from captive sources. SAIL captive mines produced 19.16 million tonnes of iron ore (lumps & fines) during the year which is the highest ever production. Flux production was 2.5 million tonnes.

In order to augment availability of iron ore for Bhilai Steel Plant the company plans to develop Rowghat iron ore mines for which MP Govt. has recommended clearance of Rowghat project subject to signing of MOU between Ministry of Railways, MP Govt., SAIL and NMDC for construction of Railway line from Dalli-Rajhara to Jagdalpur from both the ends simultaneously.

Tasra Coking Coal Block has been allocated by Ministry of Coal to SAIL for captive mining. Exploration charges have since been deposited and 'No Objection Certificate' for transfer of lease in favour of SAIL has been issued by BCCL. Transfer of lease is awaited.

Quality

The quality improvement initiatives were given further thrust during the year. The Hot Rolling Mill of SSP, Wheel & Axle Plant, Basic Oxygen Furnace, Steel Melting Shop and Continuous Casting Plant of DSP, Silicon Steel Mill(CRNO Stream) of RSP and Steel Melting Shop No.1, Blooming & Billet Mill and Rail & Structural Mill of BSP achieved ISO 9002 certification. The number of Quality Circles(QC) projects implemented during the year was 8666, showing a growth of 6 per cent over the previous year.

SAIL plants won recognition in the area of quality at the national level. The Institute of Directors conferred its coveted Golden Peacock National Quality Award to Bokaro Steel Plant (Runners-up in Large Manufacturing Category), RDCIS (Winners in Special Category of Education, Research & Development and Training), MTI and CET(Winners and runners-up respectively in Small Service Category). While Alloy Steels Plant won the National Quality Award(Special Steels) instituted by the Indian Institute of Metals, Bhilai Steel Plant was the runners-up among the integrated steel plants.

MODERNISATION AND OTHER CAPITAL SCHEMES

The Company incurred a capital expenditure of Rs.2397 crores during the year on fixed assets and capital work-in-progress, which has been financed market borrowings and internal accruals.

Under Durgapur Steel Plant Modernisation, all major production units have been commissioned and stabilised during the year. Besides major production units under Modernisation, revamping of Coke Oven Battery No.3, 7th Boiler and Old Sinter Plant were completed during the year and are under stabilisation.

At Rourkela Steel Plant, under Phase-II Modernisation, 4 global and 13 indigenous packages have been completed and put on hot trials. The remaining 1 global and 2 indigenous packages are under completion. The stabilisation of commercial production of major units i.e. Sintering Plant-II, BOF Shop, Concast Shops-I & II, PBCC, etc. is in progress. Besides Modernisation, Upgradation of BF No.2 alongwith installation of Bell-less Top Charging System, Revamping of Captive Power Plant-I, Gas Cleaning Plant for Convertors 4 & 5 in SMS-I were completed during the year.

At Bokaro Steel Plant, the work on Stage-I Modernisation is nearing completion. A new Walking Beam Reheating Furnace, C.O.Battery No.4 after

rebuilding and last (5th) Bell-less Top Charging System were commissioned during the year.

At Bhilai Steel Plant, C.O. Battery No.10 has been commissioned during the year. The Stage-I (Phase-I) Modernisation of Rail & Structural Mill is expected to be commissioned soon. All major equipment of Oxygen Plant-II have been received at site and the erection work is in advance stage of completion. The work on Sinter Plant-III is progressing satisfactorily.

With the completion of Modernisation schemes at DSP, RSP and BSL, substantial improvements are likely to take place in terms of techno-economic parameters, particularly, specific energy consumption, coke rate, etc. besides better quality and increase in production capacity of saleable steel.

HUMAN RESOURCES MANAGEMENT REVIEW

SAIL continued its efforts to enhance and maximise the contribution of the human resources towards organisational excellence. Several on-going motivational schemes have been utilised to maintain the morale of the work force.

The **manpower strength** as on 31st March, 1997 was 1,83,340 comprising 19,142 executives and 1,64,198 non-executives. The **manpower productivity** increased to 94 tonne crude steel per tonne per man year as compared to 92 tonne crude steel per man year achieved during the previous year.

As in the past, harmonious and congenial **industrial relations** have been maintained, through a process of mutual dialogue with trade unions and Officers' Associations.

Training for building the competencies of the employees to meet the challenges of changing business environment continued with the development and implementation of focussed training modules in line with the organisational objectives. During the year 89, — 754 employees were trained under company-wide training schemes. A special mention may be made of the Human Resource and Organisation Development programme, launched 2 years ago at Rourkela Steel Plant, under the funding of KFW, Germany, with the Principal Consultant being British Steel Consultants Ltd. A total of 218 employees have been trained under this programme.

The creative potential of our employees has been channelised through the **suggestion scheme**. Over 2,50,000 suggestions have been received from a wide cross-section of employees.

Various **welfare measures** continued for the benefits of the employees, like free medical services (including extending mediclaim schemes to retired employees), housing, education for children, facilities of cooperative societies as well as providing avenues for socio-cultural activities were undertaken. On this account, the Company spent an amount of Rs.449 crores during the year.

A renewed thrust was laid on **Safety** during the year. 5-Star Safety & Health Management System was introduced in three departments at BSL. A comprehensive manual on General Safety Instructions for specific jobs has been prepared and published. Safety and fire audits of major plants/units and HAZOP study in specific hazardous areas at BSP, BSL & DSP was carried out. Steel Minister's Trophy was awarded to Bokaro Steel Plant for Best Safety Performance during the year.

Two SAIL employees have bagged Prime Minister's Shram Bhushan **Awards** (one from Bokaro Steel Plant and one from Durgapur Steel Plant) during the year.

The Presidential Directives on **Scheduled Castes/ Scheduled Tribes** continued to be implemented during the year. As on 31st December, 1996 Scheduled Caste and Scheduled Tribe employees were 14.73 per cent and 11.22 per cent respectively of the total manpower.

The Company continued to vigorously pursue its efforts in implementing the **Official Language Policy** of the Government. SAIL Corporate Office was adjudged the best in the area of Official Language Implementation, amongst the PSUs located in Delhi and a Shield was awarded. Raw Materials Division, Calcutta was awarded Indira Gandhi Rajbhasha Shield as first prize for Official Language Implementation in the 'C' region.

SAIL not only sustained commitment to promotion of **Sports** amongst youth at SAIL Townships in particular, but also retained recognition as leading patron of Sports in India, having sponsored steadily Indian Team for Davis Cup, Durand, Subroto Mukherjee Cups of Soccer and Nehru SAIL Champion Colleges Hockey. SAIL Academy of Handball were Runners-up in Commonwealth Club Championship at Johannesburg in December 1996, Sub-Junior Boxing Team of Steel Town boys became Runners-up in Nationals at Guwahati and Runners-up at International YMCA Boxing at Delhi. Five SAIL wards played Ranji Trophy and over Fifty SAIL Wards

won National Medals in different events. SAIL Sports Scholars in Swimming, Shooting, Chess and Cricket broke more than a dozen National Records.

IN-HOUSE ENGINEERING

Centre for Engineering & Technology (CET) has grown from strength to strength over the years. It is continuing to provide Design & Engineering support to plants/units for modernisation, implementation of technological upgradation schemes and repairs/ revamping of units. Some of the major projects implemented with in-house Design and Engineering expertise included Walking Beam Reheating Furnace No.4 at BSL, Bell Less Top Charging system (BLT) at BF-2/RSP and BF-2/BSL, Slab Caster in SMS-1 at RSP and Upgradation of BF-2 at RSP. A large number of pollution control and automation schemes engineered by CET have also been implemented in the plants. Besides, Sinter Plant No.3 (package-2) and modernisation of Rail & Structural Mill at BSP, Walking Beam Reheating Furnace No.2 & 3 at BSL, Uprating/replacement of Turbo Blower No.1 at RSP and CTPD Boiler at DSP are under implementation.

MARKETING OF SERVICES

SAIL Consultancy Division (SAILCON) continued to give thrust to establish SAIL as a leading Engg. & Management Consultant globally during the year. SAIL has made its presence felt for provision of quality services in the domestic as well as international markets. During the year, 19 orders worth over Rs. 400 lakh were secured, out of which 12 were from Indian clients and 7 from foreign clients.

In the international arena, SAILCON has already made a foothold in Egypt, Nepal, Philippines, Iran and Thailand and efforts are being made to enter the markets of Bangladesh, Bhutan, Bahrain, Malaysia, Indonesia, Khazakistan, etc.

RESEARCH AND DEVELOPMENT

Research and Development Centre of the Company pursued 189 R&D projects during the year. The projects provided technological input to SAIL plants/ units with a thrust on cost reduction, value addition, quality improvement and development of new products. 105 projects were completed successfully.

R&D projects provided incremental improvement in the performance indices of the existing technologies. Successful implementation of the technologies introduced in the steel plants resulted in substantial improvement in the process parameters. The Centre has filed 6 foreign patents and 35 Indian patents. During the year, 14 patents which were filed earlier, have been sealed by the Patent Office. The Centre also filed 12 Copyright proposals. RDCIS provided consultancy services and know-how to outside organisations.

ENVIRONMENT MANAGEMENT

Thrust on the implementation of various schemes, as per the pollution control action plan initiated in 1992 continued during the year. Additional ten schemes costing Rs.86 crores were completed during 1996-97. With this, 107 schemes have now been commissioned, as a result of which effluent discharge quality as well as the ambient air quality at various SAIL plants and townships are steadily meeting the norms. To bring into right focus the efforts being made at various levels in the company to protect the environment, an Environmental Policy was adopted in June, 1996.

A detailed Environmental Audit study, aimed at waste minimisation and energy conservation, has also been successfully carried out at Coke Oven complex of one of the integrated steel plants. Efforts towards making the SAIL plants, mines and townships greener continued with the plantation of 5.67 lakh of trees.

Peripheral Development

SAIL has been playing an active role in undertaking various measures like providing drinking water facilities, health care programmes, educational facilities, recreational activities, etc. for the people living in areas near the Steel Plants/Mines. A sum of Rs.4.74 crores was spent on peripheral development during the year.

Investment Plan

The Company has finalised an investment plan for the 9th Plan period(from 1997-98 to 2001-02). The focus in the investment plan is to upgrade technology in the existing plants for enhancing volume of production as well as profitability. These investments, are intended to meet the market requirement and aims to enhance finished goods production, value added products and proportion of energy efficient concast route.

Joint Ventures

SAIL, in a joint venture with M/s. Larsen & Toubro Ltd. and CEA, USA Inc. is setting up a power project at Bhilai. The Government clearances for SAIL's investment in the Joint Venture has been obtained. The requisite statutory and other clearances are being obtained.

Other Joint Venture options are at various stages of consideration in the area of manufacturing of Slag Cement and marketing of Romelt Technology. For Romelt Technology, Government approval for investment by SAIL and Russian partners have been received and the joint venture agreement has been signed with the promoters.

Expenditure on Publicity, Foreign Tours, Guest Houses and Entertainment

The expenditure on publicity was Rs.19.27 crores. The expenditure on Foreign Tours, Guest Houses and Entertainment during the year was Rs.9.00 crores, Rs.4.31 crores and Rs.5.85 crores respectively.

Joining of Depository System

SAIL was one of the first few Indian Companies to join the depository to enable the commencement of scripless trading of shares. It entered into an arrangement with **National Securities Depository Limited(NSDL)** for custody and dematerialisation of securities in accordance with the provision of the Depository Act, 1996. It would be possible for the members to avail of the facilities envisaged in the Depositories Act by approaching one of the depository participants.

SUBSIDIARIES

The Indian Iron and Steel Company Ltd. (IISCO)

The company recorded a turnover of Rs.958.73 crores during the year. The net loss for the year after charging depreciation(Rs.25.58 crores) and interest (Rs.126.91 crores) was Rs.213.04 crores compared to net loss of Rs.49.05 crores during 1995-96. The major factors attributable to higher losses were enormous cost escalation of various inputs viz. coal, power tariff, petro-fuels and Railway freight and higher interest cost.

The company produced 789 thousand tonnes of hot metal, 352 thousand tonnes of crude steel, 338 thousand tonnes of saleable steel and 352 thousand tonnes of pig iron during the year. Crude steel and Saleable Steel production achieved a growth of 7 per cent and 12 per cent respectively over previous year.

IISCO, was declared a sick industrial company by the Board for Industrial and Financial Reconstruction(BIFR) on 17th August, 1994. SAIL is considering revival of IISCO by associating a co-promoter(s) through participation in Joint Venture with SAIL retaining 51 per cent equity holding. The revival plan is under finalisation and envisages concessions/reliefs from Government of India/ Government of West Bengal.

IISCO-Ujjain Pipe and Foundry Company Limited

IISCO-Ujjain Pipe & Foundry Company Ltd., wholly owned subsidiary of IISCO, is a sick company and under the process of winding up. Its production has been suspended since 27th January, 1993 and there are no means of generating funds. Now the Hon'ble High Court at its hearing on 10th July, 1997 directed that the company be wound up and the official liquidator was directed to take possession of the assets of the Company. Due to unavoidable circumstances, the Audited Accounts of IISCO-Ujjain for the year have not been made available and approval of Central Government under Section 212(8) has been obtained.

Maharashtra Elektrosmelt Limited (MEL)

MEL achieved a turnover of Rs.169.88 crores during the year as against Rs.164.75 crores during previous year. The production of all grades of Ferro Alloys during the year was 88078 T. There was considerable upward revision in power tariff by MSEB with effect from 1st July, 1996. MEL could not pass this on to the customers due to excessive availability compared to demand for the products.

Visvesvaraya Iron & Steel Limited (VISL)

During the year, the Company has recorded a turnover of Rs.243.35 crores. The loss for the year was Rs.101.77 crores after providing for depreciation and interest. The Company produced 60702 T of saleable alloy and special steels during the year. Slackening demand for alloy steels and pig iron in the market, higher imports of alloy and special steels, substantial input cost escalations including of power, fuel and freight coupled with frequent power cuts and increase in imports are some of the major factors responsible for the loss.

With the consent of Government of India, VISL has

acquired the status of a wholly owned subsidiary of SAIL, to be merged with SAIL in due course of time.

Audited Accounts of Subsidiaries

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektrosmelt Limited and Visvesvaraya Iron & Steel Limited for the year ending 31st March, 1997 are enclosed.

Auditors' Report

The Statutory Auditors Report on the Accounts of the Company for the financial year ended 31st March, 1997 alongwith Management's replies are enclosed at Annexure-I. The comments and the review on accounts for the year ended 31st March, 1997 by the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 alongwith Management's replies are placed at Annexure-II.

Report on Conservation of Energy, Technology Absorption, etc.

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure-III to this report.

Particulars of Employees

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Directors

Shri S.N. Mishra, Director (Projects) superannuated from the services of the Company w.e.f. 31st August, 1996.

Shri B.K. Singh, Director (Projects) was appointed as an Additional Director under Section 260 of the Companies Act, 1956 w.e.f. 23rd September, 1996 (A.N.).

Shri P.N. Singh, Director (Personnel) superannuated from the services of the Company w.e.f. 30th November, 1996.

Shri M.R.R. Nair ceased to be Chairman of the Company on completion of his tenure w.e.f. 30th November, 1996.

Shri A.K. Singh, Managing Director, Rourkela Steel Plant was appointed as Additonal Director under Section 260 of the Companies Act, 1956 w.e.f. 9th December, 1996.

Shri Arvind Pande, former Vice-Chairman took over as Chairman of the Company w.e.f. 3rd January, 1997.

Shri Anil Kumar, Director SAIL and Joint Secretary, Ministry of Steel resigned from the Directorship of the Company w.e.f. 31st January, 1997.

Shri Naresh Narad, Joint Secretary, Ministry of Steel was appointed as Director w.e.f. 18th February, 1997.

Dr. S. Banerjee, Director (R&D) superannuated from the services of the Company w.e.f. 30th April, 1997.

Dr. S.K. Bhattacharyya, Director(RDCIS) was appointed as Additional Director under Section 260 of the Companies Act, 1956 with effect from 12th June, 1997.

Shri A. Prasad, Director, SAIL and Additional Secretary & Financial Adviser, Ministry of Steel resigned from the Directorship of the Company w.e.f. 1st August, 1997.

Acknowledgement

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SAIL family. The Directors are thankful to the State Governments, Electricity Boards, Railways, Suppliers, Customers and Shareholders for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

(ARVIND PANDE)
Chairman

New Delhi
4th August, 1997

10 - YEAR DIGEST

FINANCIAL HIGHLIGHTS

	96-97	95-96	94-95	93-94	92-93	91-92	90-91	89-90	88-89	87-88
										(Rupees in crores)
Sales	**14131**	**14710**	**13867**	**11671**	**10175**	**9360**	**8184**	**7420**	**6625**	**5036**
Other Income	**2057**	1027	346	656	1422	923	511	541	613	247
Expenditure	**13730**	13025	11816	10507	9776	8780	7485	6898	6126	4638
Operating Profit (PBDIT)	**2458**	2712	2397	1820	1821	1503	1210	1063	1112	645
Depreciation	**691**	585	524	510	727	673	607	536	478	385
Interest & Finance charges	**1179**	808	710	765	671	463	355	302	276	197
Profit before tax	**588**	**1319**	**1163**	**545**	**423**	**367**	**248**	**225**	**358**	**63**
Provision for tax	**73**	—	55	—	—	1	3	35	56	—
Profit After tax	**515**	1319	1108	545	423	366	245	190	302	63
Dividend Payout	**103**	264	239	159	80	80	—	—	—	—
Equity Capital	**4130**	4130	3986	3986	3986	3986	3986	3986	3973	3973
Reserves & Surplus (Net of DRE)	**3868**	3807	2570	1677	1286	957	690	468	281	-17
Net Worth	**7998**	**7937**	**6556**	**5663**	**5272**	**4943**	**4676**	**4454**	**4254**	**3956**
Total Loans	**17302**	**14476**	**12136**	**11272**	**9521**	**7212**	**5492**	**4471**	**3506**	**3589**
Capital Work-in-progress	**5781**	7814	6725	4942	5042	3607	2117	1528	1483	1559
Net Fixed Assets	**12624**	8771	7557	7011	5398	5381	5222	4882	4361	4051
Working Capital	**5862**	4185	3205	3889	3348	2245	2001	1833	1624	1606
Capital Employed (Net Fixed Assets + Working Capital)	**18486**	12956	10762	10900	8746	7626	7223	6715	5985	5657
Ratios										
Operating Profit (PBDIT) to Average Capital Employed (%)	**17.23***	22.87	22.13	18.53	22.25	20.24	17.36	16.74	19.10	12.26
Profit before tax to Average Capital Employed (%)	**4.12***	11.12	10.74	5.55	5.17	4.94	3.56	3.54	6.15	1.20
Profit before tax to Sales (%)	**4.16**	8.97	8.39	4.67	4.16	3.92	3.03	3.03	5.41	1.26
Profit after tax to Net Worth (%)	**6.44**	17.48	16.91	9.63	8.03	7.40	5.23	4.28	7.11	1.60
Earnings per Share (Rs.)	**1.25**	3.30	2.78	1.37	1.06	0.92	0.61	0.48	0.76	0.16
Total Loans to Net Worth	**2.16**	1.82	1.85	1.99	1.81	1.46	1.17	1.00	0.82	0.91

** Modernisation of Durgapur Steel Plant and Hot Rolling Steckel Mill at Salem Steel Plant capitalised during the year are considered on pro-rata basis for average capital employed.*

PRODUCTION STATISTICS

ITEM	96-97	95-96	94-95	93-94	92-93	91-92	90-91	89-90	88-89	87-88
										(Thousand tonnes)
Hot Metal	**11393**	10901	10868	10172	9918	9789	9114	9008	8875	8029
Crude Steel	**10319**	9986	9821	9506	9464	9267	8438	7928	8011	6940
Pig Iron	**673**	574	750	586	335	456	566	991	839	1119
Saleable Steel										
— Semi Finished Steel	**2104**	1784	1680	1434	1321	1227	1037	1033	1148	1060
— Finished Steel	**6798**	7136	6951	6877	6616	6414	5998	5698	5671	5073
Saleable Steel (4 - Plants)	**8902**	8920	8631	8311	7937	7641	7035	6731	6819	6133
Alloy & Stainless Steel (ASP & SSP)	**333**	239	210	206	199	202	187	166	141	120
Total Saleable Steel	**9235**	9159	8841	8517	8136	7843	7222	6897	6960	6253

FINANCIAL POSITION

As at 31st March		1997		1996		1995
						(Rupees in crores)
A. SOURCES OF FUNDS						
Equity Capital	4130		4130		3986	
Reserves & Surplus	4339		3979		2650	
Deferred Revenue Expenditure	-471		-172		-80	
Net Worth		7998		7937		6556
Loans						
Government of India	232		242		269	
Steel Development Fund	4781		4677		4480	
Non Convertible Bonds	2775		1500		1100	
Foreign Sources	2617		2449		2014	
Inter Corporate	639		684		1014	
Banks	3608		2881		1723	
Term Loan	400		—		—	
Public Deposit Scheme	1909		1653		1498	
Bond Application Money	—		310		—	
Commercial Paper	228		—		—	
Others	113	17302	80	14476	38	12136
Provision for Gratuity & Accrued Leave		744		675		545
Total (A)		26044		23088		19237
B. APPLICATION OF FUNDS						
Gross Fixed Assets	20568		16078		14312	
Less : Depreciation	7944		7307		6755	
Net Fixed Assets		12624		8771		7557
Capital Works under Construction	6389		8482		7502	
Less : Sundry Creditors for Capital Works	608	5781	668	7814	777	6725
Investments		553		499		444
Loans & Advances (Subsidiary Companies)		1224		1406		1306
Current Assets :						
Inventories	6533		5430		4651	
Sundry Debtors	2017		1985		1663	
Cash & Bank Balances	292		281		239	
Other Current Assets	400		209		187	
Loans & Advances — Others	1397		1281		1180	
	10639		9186		7920	
Less : Current Liabilities	4586		4641		4127	
Provisions	191		360		588	
	4777		5001		4715	
Working Capital		5862		4185		3205
Proceeds of Global Depository Receipts		—		413		—
Total (B)		26044		23088		19237

PROFITABILITY STATEMENT

For the year ended 31st March	1997		1996		1995	
	Amount	**% age to total Income**	Amount	% age to total Income	Amount	% age to total Income
						(Rupees in crores)
A. INCOME						
Sales	**14131**	**87**	14710	93	13867	98
Accretion(+)/Depletion(-) to Stock of Semi/Finished Products	**1229**	**8**	328	2	-304	-2
Finished Products Internally Consumed	**183**	**1**	244	2	295	2
Other Revenues	**645**	**4**	455	3	355	2
Total (A)	**16188**	**100**	15737	100	14213	100
B. Expenditure						
Raw Material Consumed (including purchased products)	**5110**	**32**	4619	29	4118	29
Employees' Remuneration & Benefits	**2114**	**13**	2107	13	1681	12
Stores & Spares	**1617**	**10**	1620	10	1578	11
Power & Fuel	**1384**	**9**	1163	7	1048	7
Repairs & Maintenance	**201**	**1**	235	2	233	1
Excise Duty	**1969**	**12**	1813	12	1542	11
Contribution to JPC Funds	**2**	**—**	99	1	211	1
Freight Outward	**648**	**4**	585	4	570	4
Miscellaneous Operating Cost	**685**	**4**	784	5	835	6
Interest & Finance Charges	**1179**	**7**	808	5	710	5
Depreciation	**691**	**4**	585	4	524	5
Total (B)	**15600**	**96**	14418	92	13050	92
Profit before tax (A-B)	**588**	**4**	**1319**	8	**1163**	**8**
Provision for Taxation	**73**		—		55	
Investment Allowance Reserve	**—**		516		—	
Bonds Redemption Reserve	**269**		142		101	
Dividend Provision	**103**		264		239	
Tax on Dividend	**10**		—		—	
Balance of Profit to Reserves	**133**		397		768	
	588		**1319**		**1163**	

VALUE ADDED STATEMENT

For the year		1996-97		1995-96		1994-95
						(Rupees in crores)
Value of own production	15543		15282		13858	
Other Revenues	645	16188	455	15737	355	14213
Less : Cost of Materials	5110		4619		4118	
Stores & Spares	1617		1620		1578	
Power & Fuel	1384		1163		1048	
Excise Duty	1969		1813		1542	
Freight outward	648		585		570	
Contribution to JPC Funds	2	10730	99	9899	211	9067
Value Added		5458		5838		5146
Establishment Cost		2114		2107		1681
Other Operating Costs		886		1019		1068
Financing Cost		1179		808		710
Corporate Income Tax		73		—		55
Dividend Provision		103		264		239
Tax on Dividend		10		—		—
Retained in Business						
Depreciation	691		585		524	
Investment Allowance Reserve	—		516		—	
Bonds Redemption Reserve	269		142		101	
Balance of Profit	133	1093	397	1640	768	1393
Value Applied		5458		5838		5146

SHAREHOLDING PATTERN

(As on 31.3.1997)

CATEGORY	NO. OF EQUITY SHARES HELD	NUMBER OF SHAREHOLDERS	AMOUNT RS./CRORES	% OF EQUITY
Government of India	3544690285	1	3544.69	85.82
Financial Institutions	365976000	7	365.97	08.86
Global Depository Receipts (GDRs)	144058500	1	144.06	03.49
Individuals	29493060	151975	29.49	00.71
Mutual Funds/Banks	17507400	49	17.51	00.43
Foreign Institutional Investors (FII's)	24889800	32	24.89	00.60
Domestic Companies etc.	3785500	610	3.79	00.09
Total	4130400545	152675	4130.40	100.00

BALANCE SHEET

AS AT 31ST MARCH, 1997

	Schedule No.		As at 31st March, 1997		As at 31st March, 1996
					(Rupees in crores)
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1.1	4130.40		4130.40	
Reserves and Surplus	1.2	4339.09	8469.49	3978.96	8109.36
Loan Funds					
Secured Loans	1.3	6783.00		4381.30	
Unsecured Loans	1.4	10638.21	17421.21	10192.31	14573.61
			25890.70		22682.97
APPLICATIONS OF FUNDS					
Fixed Assets	1.5				
Gross Block		20568.40		16078.40	
Less: Depreciation		7944.24		7307.66	
Net Block		12624.16		8770.74	
Capital Work-in-Progress	1.6	6389.06	19013.22	8481.83	17252.57
Investments	1.7		553.47		498.80
Current Assets, Loans & Advances					
Inventories	1.8	6532.67		5430.36	
Sundry Debtors	1.9	2016.85		1985.07	
Cash & Bank Balances	1.10	291.70		694.30	
Interest Receivable/Accrued	1.11	400.53		208.91	
Loans & Advances					
Subsidiary Companies	1.12	1224.48		1406.23	
Others	1.13	1396.83		1281.46	
		11863.06		11006.33	
Less: Current Liabilities & Provisions					
Current Liabilities	1.14	5075.03		5221.51	
Provisions	1.15	935.35		1024.76	
		6010.38		6246.27	
Net Current Assets			5852.68		4760.06
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.16		471.33		171.54
			25890.70		22682.97

Accounting Policies and Notes on Accounts 3
Schedules 1 and 3 annexed hereto form part of the Balance Sheet.

For and on behalf of Board of Directors

Sd/-
(L.A.K. Sinha)
Executive Director & Company Secretary

Sd/-
(V.S. Jain)
Director (Finance)

Sd/-
(Arvind Pande)
Chairman

In terms of our report of even date
For and on behalf of

Ray & Ray
Chartered Accountants
Sd/-
(S.K. Dasgupta)
Partner

A.K. Sabat & Co.
Chartered Accountants
Sd/-
(A.K. Sabat)
Partner

Lodha & Co.
Chartered Accountants
Sd/-
(H. K. Verma)
Partner

K.K. Soni & Co.
Chartered Accountants
Sd/-
(K.K. Soni)
Partner

P. A. & Associates
Chartered Accountants
Sd/-
(P. S. Panda)
Partner

Place : New Delhi
Dated : July 16, 1997

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1997

	Schedule No.	Year ended 31st March, 1997		Year ended 31st March, 1996	
					(Rupees in crores)
INCOME					
Sales	2.1	14131.22		14710.21	
Finished products internally consumed		182.69		243.72	
Accretion to stocks	2.2	1229.21		327.77	
Interest earned	2.3	247.20		97.53	
Other revenues	2.4	360.73		319.42	
Provision no longer required written back	2.5	10.65	16161.70	35.70	15734.35
EXPENDITURE					
Raw materials consumed	2.6	5585.38		5012.17	
Purchase of semi/finished products		33.49		17.79	
Employees Remuneration & Benefits	2.7	2113.97		2106.55	
Stores & Spares Consumed		1892.47		1876.14	
Power & Fuel	2.8	1383.63		1163.46	
Repairs & Maintenance	2.9	200.83		235.40	
Excise duty		1968.54		1812.82	
Freight outward		648.30		585.33	
Other expenses & provisions	2.10	886.55		967.72	
Interest & finance charges	2.11	1179.48		808.37	
Depreciation		690.70		584.81	
Total		16583.34		15170.56	
Less : Transferred to Inter Account Adjustments	2.12	987.60	15595.74	759.56	14411.00
Profit for the year			565.96		1323.35
Adjustments pertaining to earlier years	2.13		22.07		-4.74
Profit before Tax			588.03		1318.61
Less : Provision for taxation			75.86		—
Add : Write back of provision of earlier years			3.00		—
Profit after Tax			515.17		1318.61
Profit brought forward from previous year			2604.10		2206.42
Amount available for appropriation			3119.27		3525.03
APPROPRIATIONS					
Transferred to Investment Allowance Reserve			—		515.81
Transferred to Bonds Redemption Reserve			269.08		141.58
Proposed Dividend			103.26		263.54
Tax on Dividend			10.33		—
Balance carried over to BalanceSheet			2736.60		2604.10
			3119.27		3525.03

Accounting Policies and Notes on Accounts 3
Schedules 2 and 3 annexed hereto form part of the Profit and Loss Account.

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-
(L.A.K. Sinha)	**(V.S. Jain)**	**(Arvind Pande)**
Executive Director & Company Secretary	*Director (Finance)*	*Chairman*

In terms of our report of even date
For and on behalf of

Ray & Ray
Chartered Accountants
Sd/-
(S.K. Dasgupta)
Partner

A.K. Sabat & Co.
Chartered Accountants
Sd/-
(A.K. Sabat)
Partner

Lodha & Co.
Chartered Accountants
Sd/-
(H. K. Verma)
Partner

K.K. Soni & Co.
Chartered Accountants
Sd/-
(K.K. Soni)
Partner

P. A. & Associates
Chartered Accountants
Sd/-
(P. S. Panda)
Partner

Place : New Delhi
Dated : July 16, 1997

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.1 : SHARE CAPITAL

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in crores)
Authorised		
5,00,00,00,000 equity shares of Rs. 10 each	**5000.00**	5000.00
Issued, Subscribed & Paid-up		
4,13,04,00,545 equity shares of Rs.10 each fully paid.	**4130.40**	4130.40

Note : 1,24,43,82,900 equity shares of Rs.10 each (net of adjustments on reduction of capital) were allotted as fully paid up for consideration other than cash.

1.2 : RESERVES & SURPLUS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Capital Reserve				
As per last Balance Sheet	**22.47**		14.58	
Add : Grant-in-Aid from Government of India	**0.10**		1.04	
Add : Others	**0.01**		7.92	
	22.58		23.54	
Less: Adjustment during the year	**20.59**	**1.99**	1.07	22.47
Share Premium Account				
As per last Balance Sheet	**266.32**		266.32	
Less: Bonds issue expenses	**20.97**	**245.35**	—	266.32
Investment Allowance Reserve				
As per last Balance Sheet	**771.83**		256.02	
Add : Transferred from Profit & Loss Account	—	**771.83**	515.81	771.83
Bond Redemption Reserve				
As per last Balance Sheet	**314.24**		172.66	
Add : Transferred from Profit & Loss Account	**269.08**	**583.32**	141.58	314.24
Surplus as per Profit & Loss Account		**2736.60**		2604.10
		4339.09		3978.96

1.3 : SECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Working Capital Borrowings from Banks *		3608.00		2881.30
Term Loan from Banks #		400.00		—
Non convertible Bonds @				
17 % Non convertible Bonds of Rs. 1000/- each redeemable at par in 3 annual instalments commencing from 19th Jan. 1999	500.00		500.00	
15 % Non convertible Bonds of Rs. 1000/- each redeemable at par on 16th Feb. 2001	295.00		295.00	
13.50 % Non convertible Bonds of Rs. 1000/- each redeemable at par on 9th Mar. 2000	190.00		190.00	
13.75 % Non convertible Bonds of Rs. 1000/- each redeemable at par on 14th Mar. 2000	100.00		100.00	
13.50 % Non convertible Bonds of Rs. 1000/- each redeemable at par on 30th Mar. 2000	15.00		15.00	
16 % Non convertible Bonds of Rs. 100,000/- each redeemable at par on 1st Oct. 2000	400.00		400.00	
17 % Non convertible Bonds of Rs. 100,000/- each redeemable at par on 1st Apr. 2001	310.00		—	
17 % Non convertible Bonds of Rs. 100,000/- each redeemable at par on 5th Aug. 2001	491.00		—	
16.75 % Non convertible Bonds of Rs. 100,000/- each redeemable at par on 1st Nov. 2001	274.00		—	
16 % Non convertible Bonds of Rs. 100,000/- each redeemable at par on 14th Jan. 2002	200.00	2775.00	—	1500.00
		6783.00		4381.30

* (Secured by hypothecation of raw materials, semi/finished products, stores & spare parts, book debts and other current assets of the company)

\# (Secured by hypothecation of all tangible movable machinery lying at Bokaro Steel Plant)

@ (Secured by charges ranking pari-passu inter-se, on all the present and future immovable and movable assets at Mouje - wadej of city Taluka, District Ahmedabad, Gujarat and company's plant and machinery including the land on which it stands, pertaining to Durgapur Steel Plant.)

1.4 : UNSECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Public Deposits	1908.49		1652.56	
Interest accrued and due thereon	1.82	1910.31	1.66	1654.22
Government of India	232.18		241.85	
Interest accrued and due thereon *	116.96	349.14	95.94	337.79
Steel Development Fund		4781.06		4676.91
Foreign Loans				
Long Term (Guaranteed by the Government of India/ State Bank of India Rs. 1707.47 crores; Previous year Rs. 1936.46 crores)	2223.84		1936.46	
Short Term	392.80	2616.64	512.92	2449.38
Others				
Inter Corporate Loans - Short term	639.41		683.51	
Bond Application Money	—		310.00	
Commercial Paper (Maximum amount raised at any time during the year Rs. 228.42 crores; Previous year Rs.193.30 crores)	228.39		—	
Housing Finance Loans	113.26	981.06	80.50	1074.01
		10638.21		10192.31

** Interest accrued and due of Rs.116.96 crores (Previous year Rs. 95.94 crores) is on the loan of Rs. 216.39 crores given to IISCO by Govt. of India through SAIL.*

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.5 : FIXED ASSETS

	GROSS BLOCK (AT COST)			
Description	As at 31st March, 1996	Additions & Adjustments during the year	Sales & Transfers (net)	**As at 31st March, 1997**
				(Rupees in crores)
A. PLANTS, MINES, OTHERS				
Land (including cost of development)				
— Freehold Land	58.02	0.64	—	**58.66**
— Leasehold Land	32.37	1.18	0.10	**33.45**
Rights and Patents	4.40	0.07	—	**4.47**
Railway Lines & Sidings	148.32	41.45	0.32	**189.45**
Roads, Bridges & Culverts	91.05	14.72	0.05	**105.72**
Buildings	1390.95	107.92	4.70	**1494.17**
Plant & Machinery				
— Steel Plant	11398.01	4157.42	45.07	**15510.36**
— Others	1166.79	162.99	20.12	**1309.66**
Furniture & Fittings	64.15	4.23	0.84	**67.54**
Vehicles	395.38	8.91	2.86	**401.43**
Water Supply & Sewerage	229.63	0.47	0.13	**229.97**
EDP Equipments	122.84	11.61	3.51	**130.94**
Miscellaneous Articles	170.79	14.04	2.55	**182.28**
Total 'A'	15272.70	4525.65	80.25	**19718.10**
Figures for the previous year	13554.06	1768.32	49.68	**15272.70**
B. SOCIAL FACILITIES				
Land (including cost of development)				
— Freehold Land	8.93	-0.11	0.01	**8.81**
— Leasehold Land	4.79	2.27	—	**7.06**
Roads, Bridges & Culverts	39.33	1.78	-0.02	**41.13**
Buildings	525.44	12.93	0.26	**538.11**
Plant & Machinery — Others	63.75	6.47	—	**70.22**
Furniture & Fittings	10.60	0.45	0.02	**11.03**
Vehicles	7.56	0.33	0.10	**7.79**
Water Supply & Sewerage	81.97	9.27	—	**91.24**
EDP Equipments	0.82	0.87	—	**1.69**
Miscellaneous Articles	62.51	10.78	0.07	**73.22**
Total 'B'	805.70	45.04	0.44	**850.30**
Figures for the previous year	757.85	49.14	1.29	**805.70**
Total ('A'+'B')	16078.40	4570.69	80.69	**20568.40**
Figures for the previous year	14311.91	1817.46	50.97	**16078.40**

1.5 : FIXED ASSETS

Description	DEPRECIATION Up to 31st March, 1996	For the Year	On Sales & Transfers (net)	Up to 31st March, 1997	NET BLOCK **As at 31st March, 1997**	As at 31st March, 1996
						(Rupees in crores)
A. PLANTS, MINES, OTHERS						
Land (including cost of development)						
— Freehold Land	—	—	—	—	**58.66**	58.64
— Leasehold Land	4.86	-0.22	0.01	4.63	**28.82**	27.51
Rights and Patents	3.65	0.30	—	3.95	**0.52**	0.75
Railway Lines &Sidings	75.97	5.63	0.20	81.40	**108.05**	72.35
Roads, Bridges & Culverts	13.27	1.88	-0.01	15.16	**90.56**	77.16
Buildings	350.66	44.56	0.24	394.98	**1099.19**	1040.29
Plant & Machinery						
— Steel Plant	5628.56	468.88	36.39	6061.05	**9449.31**	5769.45
— Others	520.40	81.96	13.39	588.97	**720.69**	646.39
Furniture & Fittings	32.91	5.30	0.38	37.83	**29.71**	31.24
Vehicles	190.41	22.46	2.35	210.52	**190.91**	204.97
Water Supply & Sewerage	112.60	10.93	0.03	123.50	**106.47**	117.03
EDP Equipments	71.81	15.95	3.24	84.52	**46.42**	51.03
Miscellaneous Articles	97.74	12.04	1.50	108.28	**74.00**	73.05
Total 'A'	7102.84	669.67	57.72	7714.79	**12003.31**	8169.86
Figures for the previous year	6574.83	565.95	37.94	7102.84	**8169.86**	
B. SOCIAL FACILITIES						
Land (including cost of development)						
— Freehold Land	—	—	—	—	**8.81**	8.93
— Leasehold Land	1.22	2.21	0.01	3.42	**3.64**	3.57
Roads, Bridges & Culverts	6.23	0.76	0.01	6.98	**34.15**	33.10
Buildings	85.40	8.05	0.04	93.41	**444.70**	440.25
Plant & Machinery — Others	29.45	3.39	—	32.84	**37.38**	34.09
Furniture & Fittings	9.16	0.37	—	9.53	**1.50**	1.44
Vehicles	5.91	0.35	0.09	6.17	**1.62**	1.65
Water Supply & Sewerage	36.86	3.78	0.12	40.52	**50.72**	45.11
EDP Equipments	0.52	0.38	0.01	0.89	**0.80**	0.30
Miscellaneous Articles	30.07	5.65	0.03	35.69	**37.53**	32.44
Total 'B'	204.82	24.94	0.31	229.45	**620.85**	600.88
Figures for the previous year	180.41	25.24	0.83	204.82	**600.88**	
Total ('A'+'B')	7307.66	694.61	58.03	7944.24	**12624.16**	8770.74
Figures for the previous year	6755.24	591.19	38.77	7307.66	**8770.74**	

Note : Allocation of depreciation	**Current Year**	Previous Year
(a) Charged to Profit & Loss Account	**690.70**	584.81
(b) Charged to expenditure during construction	**0.75**	1.72
(c) Debited to adjustments pertaining to earlier years	**3.16**	4.66
Total	**694.61**	591.19

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.6 : CAPITAL WORK-IN-PROGRESS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Expenditure during construction pending allocation (Schedule 1.6.1)		**587.77**		533.74
Capital Work-in-progress				
Steel Plants	**2486.65**		2760.14	
Township	**25.46**		39.65	
Ore Mines and Quarries	**109.10**	**2621.21**	41.88	2841.67
Capital equipment pending erection, installation, commissioning and adjustments		**2480.62**		4504.60
Construction Stores and Spares	**80.19**		68.91	
Less: Provisions	**4.54**	**75.65**	4.82	64.09
Advances	**575.72**		487.82	
Less: Provisions	**1.46**	**574.26**	2.13	485.69
Others		**49.55**		52.04
		6389.06		8481.83
Particulars of advances				
Unsecured, Considered Good (including advances backed by Bank Guarantees Rs.176.43 crores; Previous year Rs.138.15 crores)		**574.26**		485.69
Unsecured, Considered Doubtful		**1.46**		2.13
		575.72		487.82

1.6.1: EXPENDITURE DURING CONSTRUCTION (pending allocation)

			As at 31st March, 1997		As at 31st March, 1996
					(Rupees in crores)
Opening balance	(a)		533.74		325.78
Expenditure incurred during the year					
Employees Remuneration & Benefits					
Salaries, Wages & annual bonus		40.70		45.84	
Company's contribution to Provident and other Funds		3.30		3.54	
Travel Concessions		1.00		1.39	
Welfare Expenses		0.69		0.80	
Gratuity		4.50	50.19	5.91	57.48
Technical Consultants' fees & know-how			15.43		25.00
Repairs & Maintenance					
Buildings		0.30		0.27	
Plant & Machinery		0.26		0.23	
Others		2.54	3.10	1.45	1.95
Stores and Spares			3.39		2.01
Power & Fuel			10.94		14.91
Rates & Taxes			0.17		0.52
Insurance			0.07		0.11
Other Expenses			81.64		39.68
Interest & Finance charges			659.18		567.68
Depreciation			0.75		1.72
			824.86		711.06
Less: Income					
Interest Earned		1.84		4.13	
Liquidated Damages		14.68		—	
Hire Charges		0.28		2.52	
Sundries		5.57	22.37	3.06	9.71
Net expenditure during the year	(b)		802.49		701.35
	Total (a)+(b)		1336.23		1027.13
Amount allocated to Fixed Assets/ Capital Work-in-progress / Deferred revenue expenditure			748.46		493.39
Balance carried forward			587.77		533.74
	Total		1336.23		1027.13

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.7 : INVESTMENTS AT COST — LONG -TERM (UNQUOTED)

	Number of Shares/Units	Face value per Share/Unit (Rs.)	**As at 31st March, 1997**		As at 31st March, 1996	
						(Rupees in crores)
Trade Investments						
Tata Refractories Limited	10,00,000	10	**1.12**		1.12	
Almora Magnesite Limited	40,000	100	**0.40**		0.40	
North Bengal Dolomite Limited	97,900	100	**0.98**		0.98	
Indian Potash Limited	2,40,000 (80,000)	10	**0.18**	**2.68**	0.02	2.52
Other Investments - Subsidiary Companies						
Indian Iron & Steel Company Limited	38,76,65,757	10	**374.94**		374.94	
Maharashtra Elektrosmelt Limited	97,87,935 (47,87,935)	10	**9.79**		4.79	
Visvesvaraya Iron & Steel Limited	18,17,33,250 (13,22,33,250)	10	**166.98**	**551.71**	117.47	497.20
Other Companies						
Management & Technology Application (India) Limited	16,334	10	**0.02**		0.02	
UEC SAIL Information Technology Limited	1,80,000	10	**0.18**		0.18	
Cement & Allied Products (Bihar) Limited	2	10	—		—	
Chemical & Fertilizer Corporation (Bihar) Limited	1	10	—		—	
Venture Capital Unit Scheme of Unit Trust of India	4,500 (4,750)	100	**0.05**		0.05	
Bhilai Power Supply Company Limited	1 (Nil)	10	—		—	
Shares in Co-operative Societies (1.7.1)			**0.14**	**0.39**	0.14	0.39
				554.78		500.11
Less : Provision for diminution in investments				**1.31**		1.31
				553.47		498.80

1.7.1 : SHARES IN CO-OPERATIVE SOCIETIES

	Number of Shares/Units	Face value per Share/Unit (Rs.)	**As at 31st March, 1997**	As at 31st March, 1996
				(In Rupees)
Rajhara Employees' Co-operative Stores Limited	25	100	**2500**	2500
Nandini Employees' Co-operative Stores Limited	25	100	**2500**	2500
BSP Employees' Consumers' Co-operative Stores (Sector-4) Limited	25	100	**2500**	2500
Bhilai Steel Employees' Consumers' Co-operative Society Limited (Sector-8)	250	10	**2500**	2500
Bokaro Steel Employees' Co-operative Credit Society Limited	6,250 1,16,500	20 10	**1290000**	1290000
BSP Kamgar Consumers' Co-operative Stores Limited (Sector-7)	250	10	**2500**	2500
Bokaro Steel City Central Consumers' Co-operative Stores Limited	250	10	**2500**	2500
Barajamda Iron Ore Mines Workers' Central Co-operative Society Limited	40	25	**1000**	1000
NMDC Employees' Multipurpose Co-operative Society Limited	250	10	**2500**	2500
NMDC Meghahatuburu Employees' Consumers Co-operative Society Limited	25	100	**2500**	2500
DSP Employees' Co-operative Society Limited	1377	100	**137700**	137700
Bolani Ores Employees' Consumer Co-operative Society Limited	200	25	**5000**	5000
			1453700	1453700

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.8 : INVENTORIES
(As taken & certified by Management)

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Stores & spares *	**1389.57**		1373.30	
Add: In-transit	**79.88**		93.46	
	1469.45		1466.76	
Less: Provision	**60.85**	**1408.60**	56.69	1410.07
Raw materials *	**582.21**		631.61	
Add: In-transit	**258.39**		339.71	
	840.60		971.32	
Less: Provision	**1.48**	**839.12**	1.49	969.83
Semi/finished products * (including scrap)		**4264.14**		3034.93
Salvaged/Scrapped fixed assets (gross) (*At book or assessed or realisable value* whichever is lower)	**8.71**		5.67	
Less: Provision	**2.96**	**5.75**	2.78	2.89
Others (at cost)		**15.06**		12.64
		6532.67		5430.36

* *Valued as per Accounting Policy No. 1.4*

1.9 : SUNDRY DEBTORS

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in crores)
Debts over six months	**270.39**	299.16
Other debts	**1792.61**	1726.09
	2063.00	2025.25
Less: Provision for doubtful debts	**46.15**	40.18
	2016.85	1985.07
Particulars		
Unsecured,considered good (Including debts backed by bank guarantees Rs.346.52 crores; Previous year Rs.470.09 crores)	**2016.85**	1985.07
Unsecured, considered doubtful	**46.15**	40.18
	2063.00	2025.25
Amount due from		
— Directors	—	—
— Officers	—	—
Maximum amount due at any time during the year from		
— Directors	—	—
— Officers	—	—

1.10 : CASH & BANK BALANCES

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Cash and Stamps in hand		**10.70**		15.30
Cheques on hand		**233.90**		234.61
With Scheduled Banks				
Current account	**0.68**		0.43	
Unpaid Dividend account	**0.28**		0.15	
Term deposits	**45.30**	**46.26**	443.57	444.15
With post office (receipts with excise authorities)		**0.02**		0.02
Remittances-in-transit		**0.82**		0.22
		291.70		694.30

1.11 : INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in crores)
Loans to subsidiary companies	**292.50**	117.98
Loans to other companies	**39.95**	35.05
Employees	**53.92**	44.98
Others	**16.00**	10.90
	402.37	208.91
Less: Provision for doubtful interest	**1.84**	—
	400.53	208.91
Particulars		
Unsecured, considered good	**400.53**	208.91
Unsecured, considered doubtful	**1.84**	—
	402.37	208.91

1.12 : LOANS AND ADVANCES TO SUBSIDIARIES

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in crores)
Loans	**951.29**	1037.71
Stores issued on loan	**252.68**	204.64
Other-Advances	**20.51**	163.88
	1224.48	1406.23
Particulars		
Unsecured, considered good	**1224.48**	1406.23

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.13 : LOANS & ADVANCES — OTHERS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Loans				
Employees	**278.55**		227.89	
Stores issued	**14.37**		0.06	
Others	**34.37**	**327.29**	35.32	263.27
Advances recoverable in cash or in kind or for value to be received				
Claims recoverable	**500.96**		539.96	
Contractors & suppliers	**140.85**		126.90	
Employees	**66.85**		37.26	
Advance Income Tax (including Tax deducted at source)	**11.89**		0.45	
Bills Receivable	—		0.20	
For purchase of shares	**0.04**		—	
Others	**217.14**	**937.73**	191.63	896.40
Deposits				
Port trust, excise department, Railways, etc.	**102.20**		109.68	
Others	**82.57**	**184.77**	70.63	180.31
		1449.79		1339.98
Less : Provision for doubtful Loans & Advances		**52.96**		58.52
		1396.83		1281.46
Particulars of Loans & Advances-Others				
Secured, considered good		**231.68**		219.76
Unsecured, considered good (Including loans & advances backed by bank guarantees Rs. 3.55 crores) (Previous year Rs. 3.81 crores)		**1165.15**		1061.70
Unsecured, considered doubtful		**52.96**		58.52
		1449.79		1339.98
Amount due from				
— Directors		**0.03**		0.02
— Officers		**0.06**		0.05
Maximum amount due at any time during the year from				
— Directors		**0.04**		0.05
— Officers		**0.08**		0.06

1.14 : CURRENT LIABILITIES

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Acceptances		66.64		0.14
Sundry creditors				
Capital works	607.76		668.25	
Others (Including Rs.280.31 crores to subsidiary companies; Previous year Rs.497.80 crores)	1056.59	1664.35	1326.43	1994.68
Advances from				
Customers (Including Rs. nil crores from subsidiary companies; Previous year Rs.0.01 crores)	259.48		283.17	
Others	9.43	268.91	10.16	293.33
Security deposits	155.48		145.48	
Less : Investment received as security deposit	0.28	155.20	0.28	145.20
Interest accrued but not due on				
Government loans	2.68		3.36	
Steel Development Fund Loans	1075.47		1018.98	
Foreign Loans	32.43		29.53	
Other Loans	393.73	1504.31	264.87	1316.74
Stores received on loan (Including Rs. nil crores from subsidiary companies; Previous year Rs.0.09 crores)		0.28		0.60
Dividend warrant - unencashed		0.28		0.15
Other liabilities		1415.06		1470.67
		5075.03		5221.51

1.15 : PROVISIONS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in crores)
Gratuity & Accrued leave		744.39		674.63
Taxation				
Opening Balance	4.69		11.30	
Add : Provision during the year	75.86		—	
Less : Amount paid during the year	75.86		6.61	
	4.69		4.69	
Less : Write back of provision of earlier years	3.00	1.69	—	4.69
Provision for Exchange Fluctuation		8.12		—
Proposed dividend		103.26		263.54
Tax on dividend		10.33		—
Others		67.56		81.90
		935.35		1024.76

SCHEDULES

(FORMING PART OF THE BALANCE SHEET)

1.16 : MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

	Balance as at 31st March, 1996	Additions during the year	Total	Amount Charged Off during the year	**Balance as at 31st March, 1997**
					(Rupees in crores)
(i) Development Expenditure					
(a) On Mines	10.09	10.61	20.70	5.63	**15.07**
(b) On New Projects	0.35	9.82	10.17	1.82	**8.35**
Total (i)	10.44	20.43	30.87	7.45	**23.42**
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	10.55	12.59	23.14	13.34	**9.80**
(b) Capital Projects	117.12	295.48	412.60	5.79	**406.81**
(c) Others	33.43	11.29	44.72	13.42	**31.30**
Total (ii)	161.10	319.36	480.46	32.55	**447.91**
Total (i+ii)	171.54	339.79	511.33	40.00	**471.33**
Previous year	79.92	136.12	216.04	44.50	**171.54**

Charged Off to:	**Current Year**	Previous Year
Raw Materials	**8.19**	5.97
Other Expenses & Provisions	**31.81**	38.53
	40.00	44.50

(FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.1 : SALES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Direct	**6662.09**	6219.21
From stockyards	**6785.58**	7983.98
Exports	**641.63**	478.95
Others	**41.92**	28.07
	14131.22	14710.21

2.2 : ACCRETION TO STOCK OF SEMI/FINISHED PRODUCTS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Opening stock	**3034.93**	2707.16
Less : Closing stock	**4264.14**	3034.93
Accretion to stock	**1229.21**	327.77

2.3: INTEREST EARNED

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Loans & advances to subsidiaries	**153.57**	18.67
Loans & advances to other companies	**5.83**	7.56
Customers	**60.71**	49.42
Employees	**17.91**	15.01
Term Deposits	**4.56**	2.85
Others	**4.62**	4.02
	247.20	97.53

SCHEDULES

(FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.4 : OTHER REVENUES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Social amenities — recoveries	**55.71**	50.08
Sale of empties etc.	**54.44**	57.34
Liquidated damages	**23.93**	18.64
Service charges (Tax deducted at source Rs.0.09 crores) (Previous year Rs.0.04 crores)	**4.11**	3.48
Grant-in-aid	**0.23**	0.38
Subsidy	**14.20**	35.70
Hire charges etc.	**0.99**	0.89
Claims for finished products (Shortages & missing wagons)	**4.36**	2.98
Dividend (gross) from Subsidiaries (Tax deducted at source Rs.0.06 crores) (Previous year Rs.0.06 crores)	**0.24**	0.24
Dividend (gross) from Other investments (Tax deducted at source Rs.0.05 crores) (Previous year Rs.0.05 crores)	**0.24**	0.21
Profit on sale of fixed assets (net)	**—**	0.09
Duty drawback	**56.79**	23.24
Sundries (Tax deducted at source Rs. 0.03 crores) (Previous year Rs. nil crores)	**145.49**	126.15
	360.73	319.42

2.5 : PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Loans & advances	**3.78**	19.45
Sundry debtors	**1.08**	6.13
Stores & spares	**2.35**	8.03
Others	**3.44**	2.09
	10.65	35.70

2.6 : RAW MATERIALS CONSUMED

	Year ended 31st March, 1997		Year ended 31st March, 1996	
	Quantity	**Value**	Quantity	Value
	Tonnes	**Rs./crores**	Tonnes	Rs./crores
Iron ore	**18438857**	**649.65**	17742000	601.14
Coal	**12907930**	**3155.42**	12463890	2732.00
Coke	**341362**	**135.77**	578962	210.94
Limestone	**3527670**	**317.52**	3721282	277.83
Dolomite	**2287589**	**109.12**	2319478	104.51
Pig Iron	**29777**	**23.57**	12992	11.05
Scrap	**21474**	**34.50**	22115	26.84
Naphtha	**119819**	**50.25**	122488	54.26
Nickel	**2683**	**69.49**	7189	138.28
Ferro Manganese	**102840**	**221.41**	108462	212.93
Ferro Silicon	**22142**	**76.68**	21770	71.57
Other Ferrous Metals	**8588**	**105.59**	16473	130.69
Hot Rolled Stainless Steel Coils	**15946**	**106.10**	22047	191.32
Intermediary Products	**52173**	**297.48**	2978	4.36
Zinc	**13729**	**79.19**	15320	85.36
Tin	**102**	**1.23**	93	2.18
Copper	**826**	**10.89**	656	9.44
Aluminium	**9304**	**63.80**	4909	37.35
Others		**77.72**		110.12
		5585.38		5012.17

NOTES : 1. Consumption of raw materials includes shortages Rs. 8.13 crores, (Previous year Rs. 22.63 crores) to the extent not covered by normal handling losses and excess to the extent of Rs. 6.83 crores (Previous year Rs. 10.14 crores).

2. Value of raw materials consumed is after adjustments relating to Inter Plant Transfers.

SCHEDULES

(FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.7 : EMPLOYEES' REMUNERATION & BENEFITS

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in crores)
Salaries, wages & annual bonus		**1691.44**	1643.73
Company's contribution to provident fund & other funds		**126.03**	126.97
Travel concession		**54.07**	63.97
Welfare expenses		**100.02**	100.42
Gratuity		**142.41**	171.46
Charged to Profit & Loss Account	(a)	**2113.97**	2106.55
Expenditure on Employees' Remuneration and Benefits not included above and charged to:			
Expenditure During Construction	(b)	**50.19**	57.48
Deferred Revenue Expenditure	(c)	**12.59**	7.48
Net expenditure on Social Amenities charged to various primary revenue heads	(d)	**168.34**	149.75
Total (a)+(b)+(c)+(d)		**2345.09**	2321.26

2.8 : POWER & FUEL

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in crores)
Purchased power		**876.52**	698.79
Duty on own generation		**30.58**	26.57
Boiler Coal/Middlings		**330.11**	288.11
Furnace Oil/LSHS/LDO		**102.21**	105.46
Others		**44.21**	44.53
Charged to Profit & Loss Account	(a)	**1383.63**	1163.46
Expenditure on Power & Fuel not included above & charged off to:			
— Expenditure During Construction	(b)	**10.94**	14.91
Total (a)+(b)		**1394.57**	1178.37

2.9 : REPAIRS & MAINTENANCE

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in crores)
Buildings		**31.36**	37.81
Plant & Machinery		**89.59**	112.44
Others		**79.88**	85.15
Charged to Profit & Loss Account	(a)	**200.83**	235.40
Expenditure on repairs & maintenance not included above and charged to:			
Employees' Remuneration & Benefits			
Buildings		**25.52**	23.89
Plant & Machinery		**263.50**	273.91
Others		**34.51**	37.38
	(b)	**323.53**	335.18
Stores & Spares			
Buildings		**6.45**	7.72
Plant & Machinery		**1032.58**	1038.08
Others		**72.36**	79.79
	(c)	**1111.39**	1125.59
Expenditure during Construction			
Buildings		**0.30**	0.27
Plant & Machinery		**0.26**	0.23
Others		**2.54**	1.45
	(d)	**3.10**	1.95
	Total (a)+(b)+(c)+(d)	**1638.85**	1698.12

SCHEDULES

(FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.10 : OTHER EXPENSES

		Year ended 31st March, 1997		Year ended 31st March, 1996
				(Rupees in crores)
Commission to selling agents		1.37		1.08
Directors' Fees (Rs. 0.12 lakhs; Previous year Rs. 0.09 lakhs)		—		—
Export sales expenses (including commision of Rs. 0.00 lakhs; Previous year Rs. 6.44 lakhs)		30.86		26.87
Handling expenses				
— Handling expenses - Raw Material	52.59		56.32	
— Handling expenses - Finished Goods	61.74		69.66	
— Scrap recovery expenses	53.16	167.49	64.29	190.27
Insurance		9.84		8.89
Loss on sale/scrapping of Fixed Assets		1.89		—
Postage, telegram & telephone		27.29		26.34
Printing & stationery		13.35		14.20
Provisions				
— Doubtful debts & loans and advances	19.63		21.54	
— Investments	—		1.31	
— Sundries	7.67	27.30	5.85	28.70
Rates & Taxes		6.89		7.48
Remuneration to Auditors				
— Audit fees *	0.22		0.17	
— Tax Audit fees	0.05		0.05	
— Out of pocket expenses	0.45		0.34	
— In other capacities	0.01	0.73	0.01	0.57
Cost Audit Fees		0.01		0.01
Rent		19.65		18.63
Royalty and cess		26.46		25.68
Security expenses-CISF/Other agencies		64.78		58.20
Travelling expenses		112.19		106.80
Write Offs				
— Miscellaneous & Deferred Revenue Expenditure	31.81		38.53	
— Others	0.21	32.02	7.82	46.35
Cash Discount		51.41		43.47
Training expenses		11.37		12.27
Conversion charges		62.36		57.69
Water charges & Cess on water pollution		19.48		12.43
Contribution to Joint Plant Committee Funds		1.75		98.56
Miscellaneous (include Donation Rs. 0.39 crores; Previous year Rs. 2.99 crores)		198.06		183.23
		886.55		967.72

** Increase in fees is subject to approval of Company Law Board.*

2.11 : INTEREST & FINANCE CHARGES

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in crores)
Government Loans		**1.68**	3.34
Steel Development Fund Loans		**194.56**	175.93
Fixed Deposits-Public		**137.80**	110.57
Foreign Currency Loans		**46.90**	50.92
Bank Borrowings - working capital		**470.57**	220.25
Others		**304.25**	228.80
Finance Charges		**23.72**	18.56
Charged to Profit & Loss Account	(a)	**1179.48**	808.37
Expenditure on interest not included above & charged to: Expenditure During Construction			
Government Loans		**1.27**	1.40
Steel Development Fund Loans		**145.48**	146.16
Fixed Deposits-Public		**130.75**	122.11
Foreign Currency Loans		**68.00**	81.35
Others		**307.51**	197.86
Finance Charges		**6.17**	18.80
	(b)	**659.18**	567.68
	Total (a)+(b)	**1838.66**	1376.05

2.12 : INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Raw materials	**509.02**	411.19
Departmentally manufactured stores	**274.66**	255.69
Services transferred to capital works	**46.24**	49.40
Coke subsidy to Employees	**4.05**	7.09
Deferred revenue expenditure	**144.30**	33.24
Others(Net)	**9.33**	2.95
	987.60	759.56

SCHEDULES

(FORMING PART OF THE PROFIT & LOSS ACCOUNT)

2.13 : ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in crores)
Sales	**4.07**	-3.58
Other Revenues	**-0.11**	0.31
Raw materials consumed	—	-4.08
Employees' Remuneration & Benefits	**0.06**	17.55
Stores & Spares consumed	**-21.12**	0.99
Power & Fuel	**-1.96**	-0.21
Repairs & Maintenance	**-10.06**	-0.82
Excise Duty	**-0.24**	-0.95
Freight Outward	**-0.03**	-0.62
Other Expenses & Provisions	**0.71**	-10.07
Interest	**3.45**	1.56
Depreciation	**3.16**	4.66
Net Debit / Credit (-)	**-22.07**	4.74

SCHEDULE 3 : ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

1.1 FIXED ASSETS

All fixed assets are stated at historical cost less depreciation.

Land gifted by the State Governments is valued notionally/nominally and the corresponding amount is credited to'Capital Reserve'. The expenditure on development of land including lease-hold land, is capitalised as part of the cost of land.

Interest on Loans for additions, modifications and replacement schemes is capitalised, based on the mean of the balances under 'Capital work-in-progress' at the beginning and close of the year under each scheme.

Fixed assets whose actual costs cannot be accurately ascertained, are initially capitalised on the basis of estimated costs and final adjustments for costs and depreciation, if any, are made retrospectively on ascertainment of actual costs.

The Company's contribution/expenditure towards construction/ development of assets on land owned by Government/Semi-Government authorities, is capitalised under appropriate assets account.

Grants-in-aid related to specific fixed assets are shown as deduction from the gross value of the assets concerned in arriving at their book value.

1.2 DEPRECIATION

Depreciation is provided on Straight Line Method with respect to the month of addition/disposal of the respective assets.

Depreciation on following assets is based on the management's estimate of the useful life of the assets, at the rates (which are higher than Schedule XIV rates) shown against each item below:

Earth-moving Equipments	15%
Miscellaneous Equipments	10%
Motor Cars	20%
Motor Buses, Trucks	15%
Furniture & Fittings	10%
Library Books	20%
Aircrafts	16%

Depreciation on other assets is provided as per the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Depreciation on buildings, roads, bridges and culverts capitalised upto 31.3.87 has been charged at the rates derived from those specified in the Income Tax Rules, as applicable in the year of their addition. Depreciation on such assets, capitalised since 1.4.87, has been provided at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 on Straight Line Method.

Depreciation is charged on roads, bridges and culverts from 1.4.83.

Cost of acquiring mining rights is amortised over the lease period.

1.3 INVESTMENTS

Investments held/intended to be held for a period exceeding one year are classified as long term investments, while other investments are classified as current investments.

Current quoted investments are valued at lower of cost or market value on individual investment basis.

Investments in subsidiary Companies are carried in the financial statements at cost. In respect of other long-term and unquoted investments, which are valued at cost, provision for diminution is made to recognise a decline, other than temporary, on individual investment basis.

1.4 INVENTORIES

Semi/Finished products, other than Ingots and Slabs meant for rolling in the plants, are valued at lower of cost or realisable value of the respective plants. Ingots and Slabs meant for rolling in the plants are valued at cost. The cost of manufactured semi/finished products, is determined on the basis of annual average cost of production.

Raw-materials are valued at cost.

Iron scrap and steel/skull scrap at the integrated plants are valued at 75% and 90% respectively of the previous year's realisable value of pig iron.

Wear scrap lying unconsumed at plant is valued at realisable value.

In the case of special products, which have a realisable value at the finished stage only, the realisable value of process materials is arrived at by applying the ratio of finished product's realisable value and its cost, to the cost upto the stage of process.

In respect of inter-unit transfers: (i) The closing stock of semi/finished products is valued at lower of cost or realisable value of the transferor plant (ii) Stores and spares are valued at cost of the transferor plant (iii) The raw-materials at plants are valued at average of purchase cost and transfer price. In respect of Bhilai Steel Plant, which has mines attached to it, the average of purchase cost and production cost is adopted.

Stores and spares are valued at cost. However, in the case of stores and spares declared obsolete/surplus and stores and spares not moved for five years or more, provision is made at 75% and 10% respectively of the book value and charged to revenue.

Stock of mixed coke and middlings/rejects is valued at net realisable value.

SCHEDULES

1.5 DEVELOPMENT/DEFERRED REVENUE EXPENDITURE

Expenditure incurred on development of new projects, removal of over-burden at mines, cost of feasibility studies for new projects and payments for technical know-how / documentation is treated as development expenditure.

Expenditure incurred on removal of over-burden in mines is written off in five years. Expenditure on feasibility studies, technical know-how/documentation and other development expenditure is added to the capital cost of the project, if implemented. In case the project is abandoned, such expenses are written off in five years.

Expenditure on Voluntary Retirement Compensation is treated as deferred revenue expenditure and is written off in five years irrespective of the remaining service period of an employee.

Deferred Revenue Expenditure relating to capital schemes are written-off in five years from the date of commercial production. Other deferred revenue expenditure are written off in five years.

1.6 FOREIGN CURRENCY TRANSACTIONS

Foreign currency assets and liabilities as on the Balance Sheet date, are converted at the year-end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of assets or charged to Profit & Loss Account, as the case may be. Depreciation on such adjustments to fixed assets is adjusted prospectively.

1.7 RESEARCH & DEVELOPMENT EXPENDITURE

Research and Development Expenditure is charged to Profit and Loss Account in the year of incurrence. However, expenditure on fixed assets relating to research and development, is treated in the same way as other fixed assets.

1.8 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

Claims for liquidated damages are taken as income when these are deducted and/or considered recoverable by the Company.

Suppliers'/Contractors' claims for price escalation are accounted for, to the extent such claims are accepted by the Company.

1.9 RETIREMENT BENEFITS

1.9.1 The provision for gratuity liability is made on the basis of actuarial valuation.

1.9.2 Leave encashment liability towards employees is provided on actuarial valuation. Such liability upto 31st March, 1995, has been deferred, to be charged over the expected remaining working lives of the employees.

1.10 ADJUSTMENTS PERTAINING TO EARLIER YEARS AND PREPAID EXPENSES

Income/expenditure relating to prior period and prepaid expenses which do not exceed Rs.5 lakhs in each case, are treated as income/expenditure of the current year.

1.11 SALES

Materials sold in domestic market are treated as sales on delivery to carriers. Export sales are treated as sales on issue of Bills of lading.

1.12 EXPORT INCENTIVES

The benefit of Special/Advance Licences against exports is availed of by the Company either through import of materials at nil/ concessional import duty or through sale of such licences, as and when sold.

NOTES ON ACCOUNTS

			As at 31st March, 1997	As at 31st March, 1996
2.		**Contingent Liabilities**		*(Rupees in crores)*
2.1	(i)	Claims against the Company pending judicial decisions	**933.99**	822.26
	(ii)	Other claims against the Company not acknowledged as debts	**252.29**	181.30
	(iii)	Guarantees given to Banks on behalf of subsidiary Companies	**111.81**	90.91
	(iv)	Bills drawn on customers and discounted with banks	**57.45**	16.80
	(v)	Claims by certain employees and escalation claims, extent whereof is not ascertainable	—	—

2.2 Sales Tax authorities have raised demands for Rs. 643.04 crores (Previous year - Rs. 558.07 crores) on account of sales tax on stock transfers made by plants over the years to stockyards situated in different States, under various marketing schemes. The demands of Sales Tax authorities at plants have been contested by the Company which are pending at various stages of appeal. As sales tax liability has been discharged by respective stockyards on sale of such stocks by depositing sales tax with respective Sales Tax authorities in different States, no liability is expected to arise, as sales tax is leviable only once.

2.3 Supreme Court vide its judgement dated 4th April, 1991 held that cess on mining royalty is ultra-vires the Constitution, resulting in several refund cases being filed. An Ordinance titled "The Cesses and Other Taxes on Minerals (Validation) Ordinance, 1992", (subsequently enacted) was promulgated, objects and reasons being to save the State Governments from serious impact on their revenues which they would have faced if called upon to refund the cess. Patna High Court vide its judgement dated 17th January, 1996 had held that the impugned Ordinance and the impugned Act that followed, did not authorise the recovery of any tax or cess after 4.4.91, even if the liability was incurred under the validated laws before 4.4.91. Accordingly, liability for the period upto 4.4.91 was reversed during 1995-96. Subsequently this matter has gone under a review petition in Supreme Court in '96-97. The Company has been advised by a legal expert that no provision is required in this respect. However, contingent liability in this regard is estimated at Rs 89.78 crores (Previous year : Rs. 66.80 crores).

3. Fixed Assets

3.1 Land includes :

(i) 76099.63 acres (Previous year - 76071.24 acres) owned/ leased/possessed by the Company, in respect of which title/lease deeds are pending for registration.

(ii) 14632.81 acres (Previous year - 14632.81 acres) land gifted by State Governments, which is pending for registration and included in (i) above.

(iii) 3205.19 acres (Previous year - 3157.67 acres) given on lease to various agencies.

(iv) 14309.13 acres (Previous year - 13926.04 acres) transferred/agreed to be transferred or made available for settlement to various Central/State/Semi-Government authorities, in respect of which conveyance deeds remain to be executed/registered. Out of the above, 9085.39 acres (Previous year - 9085.39 acres) have been adjusted in the accounts.

(v) Land made available to the West Bengal Government for settlement on yearly licence basis NIL acres (Previous year - 901.01 acres).

(vi) Rs. 2.88 crores (Previous year - Rs. 2.83 crores) in respect of which title is under dispute.

3.2 Fixed Assets include Rs.7.87 crores (Previous year - Rs.7.87 crores) being Company's contribution/expenditure towards cost of assets owned by Government / Semi-Government Authorities. Such assets are written-off in five years.

3.3 Fixed assets include Rs.8000/- (Previous year - Rs.8000/-) being cost of shares in Co-operative Housing Society.

3.4 Foreign exchange variations (Net) aggregating to Rs.55.66 crores (credit) [Previous year - Rs.91.40 crores (debit)] have been adjusted in the carrying amount of fixed assets during the year.

3.5 Estimated amount of contracts remaining to be executed on capital account and not provided for - Rs.2339.64 crores (Previous year - Rs.3416.29 crores).

3.6 During the current year the grants-in-aid have been netted off against the cost of specific fixed assets acquired out of such grants as against the earlier practice where the Company used to account for full value of fixed assets by giving corresponding credit to Capital Reserve equivalent to grants received. Consequent to the change, the gross block of fixed assets/capital work-in-progress have been reduced by Rs.20.39 crores, current assets by Rs. 0.32 crores, cumulative depreciation by Rs.1.06 crores, other revenues by Rs.0.94 crores and capital reserve has been reduced by Rs.20.59 crores. Grants-in-aid amounting to Rs.6.56 crores, received during the year against fixed assets, have been netted off against the cost of fixed assets.

4. Investments, Current Assets, Loans & Advances, Current Liabilities & Provisions

4.1 Accounting Standard-13 issued by the Institute of Chartered Accountants of India requires long-term investments to be valued at cost, subject to provision for decline in value, other than temporary, in cost thereof. However, considering the long-term nature and other related matters, investments in subsidiary Companies, have been valued at cost.

4.1.1 The Company has equity investments aggregating to Rs.374.94 crores (31.3.96: Rs.374.94 crores) in its subsidiary Company, The Indian Iron & Steel Company Ltd.(IISCO). As at 31st March 1997, an amount of Rs.1125.04 crores (31.3.96: Rs.1164.69 crores) is due from IISCO on account of loans and advances and Rs.235.82 crores (31.3.96: Rs.100.60 crores) as interest thereon. Interest on loans and advances has not been waived during the year. IISCO is a sick Company and a proposal for its revival is pending with BIFR. Above amounts are adequately covered based on the valuation determined by independent agencies in the year 1995-96. In view of long-term nature of investments and independent evaluation of assets, no provision is required.

4.1.2 The Company has equity investments aggregating to Rs.166.98 crores (31.3.96: Rs.117.47 crores) in its subsidiary Company, Visvesvaraya Iron & Steel Ltd. (VISL). As at 31st March 1997, an amount of Rs.78.82 crores (31.3.96: Rs.225.63 crores) is due from VISL on account of loans and advances and Rs.56.63 crores as interest (31.3.96: Rs.17.37 crores). Interest on loans and advances has not been waived during the year.

Government of India have approved the take over of VISL by SAIL subject to relief from Steel Development Fund (SDF) to compensate for accumulated losses based on audited accounts. Accordingly, amount due from VISL to the extent of Rs.148.94 crores, being amount equivalent to accumulated loss as per their audited accounts for the year ended as on 31st March, 1996 has been adjusted against dues recoverable from VISL with corresponding adjustment in amount payable to SDF. Loss for the year 1996-97 shall also be adjusted in the subsequent year based on audited accounts of VISL.

4.2 Sundry creditors, other liabilities, sundry debtors, claims recoverable and advances to parties include some old/unlinked balances pending reconciliation / confirmation / adjustments. Efforts are being made for the reconciliation of such balances and resultant effects, if any, will be accounted for in the year of such adjustments.

4.3 The stock of scrap at the plants has been physically verified. In case of some plants, it has been considered in the accounts on the basis of visual survey/estimate. To bring uniformity in the practices followed by different plants, ingot moulds, bottom plates and slag material ascertained during the year as usable have been valued at scrap/realisable value resulting in increase in the value of inventories and profit by Rs.29.83 crores.

5. Profit & Loss Account

5.1 The long-term agreement for wage revision expired on 31.12.96. Pending negotiations and settlement thereof, no provision has been considered for wage revision, if any, for the last quarter of '96-97. Provision for bonus has been made in the accounts on estimated basis in respect of the employees governed by The Payment of Bonus Act, 1965.

5.2 Power & Fuel does not include expenses for generation of power and consumption of certain fuel elements produced by the plants which have been included under the primary heads of account, the extent of which is not readily ascertainable.

5.3 Interest to be paid on Government Loans for IISCO and IISCO-Ujjain, routed through SAIL, amounting to Rs.20.84 crores (Previous year : Rs. 19.51 crores) has been netted off against interest to be received from IISCO and IISCO Ujjain.

5.4 The Research and Development costs charged to Profit & Loss Account during 1996-97 amount to Rs.45.60 crores and to fixed assets Rs. 5.69 crores.

SCHEDULES

5.5 Materials out of inter-plant transfers lying in stock after further processing, are valued at transfer price plus processing cost of the transferee plant or realisable value, whichever is lower. Such inter-transfer materials used for capitalisation have, however, been considered at cost.

5.6 The classification of plant and machinery into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.

5.7 The amount of exchange loss/gain on foreign currency transactions from the date of occurrence till the date of payment/accountal, has been charged to the respective natural heads of accounts as in the earlier years. The impact, if any, of such exchange variation on profitability is considered immaterial.

5.8 The quantitative and qualitative stabilisation of integrated process of operation of Blast Furnace-4, Basic Oxygen Furnace, Continuous Casting Plant and related Raw Material Handling Complex, as part of modernisation programme of Durgapur Steel Plant, has been achieved during the year and accordingly, the appropriate date of commencement of commercial production of these facilities and capitalisation thereof has been considered as 16th March, 1997 when the facilities were ready for producing commercially feasible quantities and in a commercially practicable manner, based on independent technical opinion. As per Company's consistent Accounting Policy for trial run period beyond six months, expenditure (net) amounting to Rs.102.58 crores (previous year: Rs.29.15 crores) alongwith interest of Rs.108.26 crores (previous year : Rs.77.78 crores) on funds borrowed for these projects has been considered as Deferred Revenue Expenditure to be written off in five years from the date of commercial production.

5.9 Hot Rolled Steckel Mill at Salem Steel Plant has been capitalised on 1st March, 1997 when the facilities were ready for producing commercially feasible quantities and in a commercially practicable manner, based on technical opinion. As per Company's consistent Accounting Policy for trial run period beyond six months, expenditure (net) amounting to Rs.14.10 crores (previous year: Rs.0.54 crores) alongwith interest of Rs.69.11 crores (previous year : Rs. NIL crores) on funds borrowed for these projects has been considered as Deferred Revenue Expenditure to be written off in five years from the date of commercial production.

5.10 During the year, based on technical evaluation, stock of Iron Ore mines at Bolani and Barsua Iron Ore mines having iron content of required specification has been ascertained and valued at Rs.48.73 crores in line with policy followed at other mines.

5.11 Tax Provision

In view of brought forward losses, unabsorbed depreciation, eligible investment allowance of past years and other reliefs available under Income Tax Act, no provision for income tax is required to be made in the accounts for the current year.

However, provision for Minimum Alternate Tax (MAT) amounting to Rs.75.86 crores has been made and payment against which is available for set-off towards regular tax liability of future years.

6. Consequent upon observations of the Comptroller & Auditor General of India during the course of audit under section 619(4) of Companies Act, 1956 on the Accounts of the Company for the year ended 31st March,1997 as adopted by the Board of Directors on 28th May,1997 and Auditors' Report dated 28th May, 1997 certain changes have been made in the Accounts and Notes on Accounts. These changes have resulted in decrease in profit before tax by Rs. 13.82 crores, decrease in provision for tax by Rs. 1.78 crores, decrease in fixed assets (net) by Rs. 2.10 crores, decrease in current assets, loans and advances by Rs. 6.30 crores and increase in Current Liabilities & Provisions by Rs. 4.78 crores and increase in Miscellaneous expenditure (to the extent not written off or adjusted) by Rs. 1.14 crores.

7. (a) Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity (i)	Installed Capacity	Production
			(Quantity : Tonnes)
Main Steel Plants			
Pig Iron		1797000	672850
		(1885000)	(573711)
Crude Steel (ii)		11527000	10318742 (iii)
		(11325000)	(9986442)
Saleable Steel		9120000	8901622
		(8773000)	(8919739)
Alloy Steels Plants			
Liquid Steel		246000	268353
		(246000)	(252122)
Saleable Steel		358000	333132
		(253000)	(239545)
Others			
Calcium Ammonium Nitrate		360000	115195
(in terms of 25% N)		(360000)	(148284)

Notes

i) "Licensed Capacity" Not applicable(N.A.) in terms of Government of India Notification No.S.O.477(E) dated 25th July, 1991.

ii) Crude Steel installed capacity is in terms of solid steel as per IISI requirements.

iii) Includes trial run production of 9,07,118 tonnes (Previous Years 7,71,229 tonnes) at Durgapur Steel Plant.

7. (b) Opening Stock, Purchases, Turnover and Closing Stock

	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
								(Quantity : Tonnes) *(Value : Rs./crores)*
OWN PRODUCTS								
Main Steel Plants								
Pig Iron	142254	79.60	—	—	509239	354.56	178072	111.16
	(110274)	(52.99)	(—)	(—)	(394516)	(263.47)	(142254)	(79.60)
Steel Ingots	309965	247.27	—	—	361964	298.54	334857	276.03
	(362123)	(264.47)	(—)	(—)	(173935)	(136.50)	(309965)	(247.27)
Saleable Steel	1188811	1,501.84	—	—	7282580	11,301.09	1767713	2,414.59
	(1132000)	(1343.16)	(—)	(—)	(7817009)	(12366.95)	(1188811)	(1501.84)
ALLOY STEELS PLANTS								
Steel Ingots	6022	28.00	—	—	40	0.08	10269	45.48
	(6063)	(18.61)	(—)	(—)	(55)	(0.07)	(6022)	(28.00)
Saleable Steel	71348	477.92	—	—	220531	928.55	98508	547.82
	(76748)	(347.41)	(—)	(—)	(126398)	(733.05)	(71348)	(477.92)
Calcium Ammonium	17949	5.97	—	—	116777	48.48	14584	5.35
Nitrate(in terms of) 25% N)	(44973)	(12.28)	(—)	(—)	(172998)	(59.29)	(17949)	(5.97)
SUNDRIES								
Middlings/Rejects	284125	6.49	—	—	70187	2.03	177056	4.01
	(461434)	(10.42)	(—)	(—)	(151245)	(4.78)	(284125)	(6.49)
Cinders	455680	—	—	—	87041	0.24	380015	—
	(548735)	(—)	(—)	(—)	(9057)	(0.07)	(455680)	(—)
Others		687.74		—		1,163.18		858.93
		(657.81)		(—)		(1126.93)		(687.74)
TRADING ACTIVITIES								
Indigenous Steel	19	0.10	21255	33.49	20915	34.47	359	0.77
	(9)	(0.01)	(14320)	(17.79)	(14310)	(19.10)	(19)	(0.10)
		3034.93		33.49		14131.22		4264.14
		(2707.16)		(17.79)		(14710.21)		(3034.93)

Notes :

i) The classification of the Company's own products for the purpose of quantitative data is in accordance with the Company Law Board's Order No.3/19/80-CL VI dated 16th July 1980. However, in respect of item (Sundries), particulars of installed capacity and production have not been given, as this being an omnibus head, clubbing of various products and by-products under one head would not give meaningful information.

ii) *Sales are net of rebates/price concessions allowed on certain Iron and Steel products.*

iii) Figures of closing stock are after adjustment for inter-plant transfers, internal consumption, transfer to capital works, shortages/excess etc.

SCHEDULES

7.(c) Pig Iron and Saleable Steel Quantitative Reconciliation

	Pig Iron	Saleable Steel	
		(Main Steel Plants)	(Alloy Steels Plants)
			(Quantity : Tonnes)
Opening Stock	142254 (110274)	1188811 (1132000)	71348 (76748)
Production	672850 (573711)	8901622 (8919739)	333132 (239545)
Total	815104 (683985)	10090433 (10051739)	404480 (316293)
Sales	509239 (394516)	7282580 (7817009)	220531 (126398)
Inter Plant Transfers	4153 (25092)	436573 (368929)	81614 (110694)
Internal Consumption (incl. for capital works)	122110 (116458)	67775 (78814)	620 (250)
Assorted length/Cuttings/Ingot etc.	— (—)	561073 (406450)	1115 (382)
Depletion/Accretion (-) in In-process stock (including of inter plant transfers)	-2884 (5454)	-54179 (190195)	575 (3947)
Shortages/excesses(-) due to sectional weight variation transportation, handling etc.	4414 (211)	28898 (1531)	1517 (3274)
Closing Stock	178072 (142254)	1767713 (1188811)	98508 (71348)
Total	815104 (683985)	10090433 (10051739)	404480 (316293)

Note to 7(a), 7(b) & 7(c) :
Figures in brackets pertain to previous year and have been rearranged/regrouped inter-se wherever necessary.

		Current Year	Previous Year
			(Rupees in crores)
8.	**Expenditure incurred in foreign currency on account of**		
	Know-how	**30.22**	119.29
	Interest	**127.75**	157.07
	Training expenses & payments to Foreign Technicians	**56.69**	89.66
	Others	**18.61**	25.41
	Total	**233.27**	391.43
9.	**Earnings in foreign exchange on account of**		
	Export of goods(Calculated on FOB basis)	**628.65**	471.97
	Royalty, Know-how, professional and consultation fees	**0.14**	—
	Interest and Dividend	**5.23**	3.04
	Other Income	**5.87**	7.50
		639.89	482.51
10.	**Value of imports during the period (Calculated on CIF basis)**		
	Raw materials	**1827.90**	1841.96
	Capital goods	**339.71**	526.37
	Stores, Spares and Components	**154.54**	154.90
	Total	**2322.15**	2523.23

		Current Year Rs./crores	Current Year %	Previous Year Rs./crores	Previous Year %
11.	**Value of raw materials consumed during the year**				
	Imported	**2342.94**	**41.95**	1949.92	38.90
	Indigenous	**3242.44**	**58.05**	3062.25	61.10
		5585.38	**100.00**	5012.17	100.00
12.	**Value of stores/spares & components consumed during the year**				
	Imported	**158.85**	**8.38**	148.38	7.90
	Indigenous	**1737.01**	**91.62**	1729.77	92.10
		1895.86	**100.00**	1878.15	100.00

		Current Year	Previous Year
13.	**Particulars of Directors' Remuneration**		
	Salaries	**0.32**	0.44
	Company's contribution to provident fund & other funds	**0.03**	0.03
	Leave travel concession	**0.01**	0.01
	Medical benefits *	**0.01**	0.01
	Provision for gratuity	**0.02**	0.02
	Estimated value of perquisites		
	Total	**0.39**	0.51

* *(Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable).*

14. General

14.1 Figures have been rounded off to the nearest Rupees in crores as approved by the Company Law Board.

14.2 Previous year's figures are given in brackets and these have been re-arranged/regrouped, wherever necessary.

SCHEDULES

15. Balance Sheet Abstract and Company's General Business Profile :

I. REGISTRATION DETAILS

Registration No. 6454 | State Code 55

Balance Sheet Date 31 03 97

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. lakhs)

Public Issue: NIL	Rights Issue: NIL
Bonus Issue: NIL	Private Placement: NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. lakhs)

TOTAL LIABILITIES: 3190108	TOTAL ASSETS: 3190108

SOURCES OF FUNDS

Paid-up Capital: 413040	Reserves & Surplus: 433909
Secured Loans: 678300	Unsecured Loans: 1063821

APPLICATION OF FUNDS

Net Fixed Assets: 1901322	Investments: 55347
Net Current Assets: 585268	Misc. Expenditure: 47133
Accumulated Losses: NIL	

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. lakhs)

Turnover/Other Income: 1616170	Total Expenditure: 1557367
Profit Before Tax: 58803	Profit After Tax: 51517
Earnings Per Share (Rs.): 1.25	Dividend Rate (%): 2.50

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (As per Monetary Terms)

Item Code No. (ITC Code) : 720851 00 / 720852 00

Product Description : HOT ROLLED PLATES

Item Code No. (ITC Code) : 720837 00 / 720838 00
720839 00

Product Description : HOT ROLLED COILS

Item Code No. (ITC Code) : 720916 00 / 720917 00
720918 00

Product Description : COLD ROLLED COILS

	Current Year	Previous Year
		(Rupees in crores)
Exenditure on public relations departments		
Employees remuneration & benefits	**3.33**	3.20
Expenditure on institutional publicity	**13.97**	13.80
Other items of expenditure under publicity	**5.30**	3.87
Total	**22.60**	20.87
Turnover	**14131.22**	14710.21
Percentage	**0.16**	0.14

SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & cultural activities	Co-operative societies	Transport & dairy	Total	Previous year
								(Rupees in crores)
Employees' Remuneration & Benefits								
— Salaries, wages & Annual Bonus	57.61	53.71	65.17	2.39	3.61	7.67	190.16	187.74
— Company contribution to PF & other funds	4.47	4.53	5.62	0.17	0.24	0.59	15.62	14.94
— Travel concessions	1.88	1.69	1.75	0.04	0.00	0.31	5.67	6.90
— Welfare expenses	3.28	5.35	18.37	1.54	3.52	0.55	32.61	27.09
— Comsumption of medicines	—	—	24.26	—	—	—	24.26	22.63
— Coke Subsidy	—	—	—	—	4.62	—	4.62	12.95
— Gratuity	2.52	2.26	2.62	0.12	0.12	0.32	7.96	8.07
Total	69.76	67.54	117.79	4.26	12.11	9.44	280.90	280.32
Stores & Spares	11.26	0.29	2.01	0.26	0.01	2.45	16.28	13.08
Repair & Maintenance	34.90	0.29	1.65	0.14	0.02	0.19	37.19	49.23
Power & Fuel	113.00	0.83	2.50	0.34	0.06	0.11	116.84	91.91
Miscellaneous expenses	18.15	1.65	5.00	0.49	0.01	3.50	28.80	20.37
Depreciation	19.71	0.93	3.84	0.18	0.02	0.26	24.94	25.24
Total	266.78	71.53	132.79	5.67	12.23	15.95	504.95	480.15
Less: Income	38.26	2.32	14.47	0.07	0.01	0.58	55.71	50.08
Net Deficit	228.52	69.21	118.32	5.60	12.22	15.37	449.24	430.07

AUDITORS' REPORT

ANNEXURE - I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLIES

To

The Members of Steel Authority of India Limited

We have audited the attached Balance Sheet of Steel Authority of India Limited as at 31st March, 1997 and the annexed Profit and Loss Account of the Company for the year ended on that date, in which are incorporated the accounts of Plants, Units, Branches and other Offices audited by Branch Auditors in accordance with the letter of appointment of Department of Company Affairs, Government of India.

We report as follows :

1. The report on the accounts of the Plants, Units and Branches and other Offices audited by Branch Auditors have been forwarded to us and we have considered the same in preparing this report.

2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board and on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the said Order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that :

3.1 We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;

3.2 In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of the books;

3.3 The Balance Sheet and the Profit & Loss Account dealt with by this report, are in agreement with the books of account;

3.4 Attention is drawn to Note No.5.8 regarding capitalisation etc. of certain Plants at Durgapur based on technical opinion.

COMMENTS	MANAGEMENT'S REPLIES
3.5 Subject to Note No. 4.1.1 regarding non-provision against investments etc. in IISCO, a Subsidiary Company and read with the accounting policies and notes appearing in Schedule 3, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view: (i) In the case of Balance Sheet, of the state of the Company's affairs as at 31st March, 1997; and (ii) In the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date.	As per Company's accounting policy consistently followed, investments in subsidiary companies are carried in the financial statements at cost. Further, the amount provided as Equity/Loans and Advances to IISCO has been adequately disclosed in the "Notes on Accounts" at Note No.4.1.1 of Schedule-3 forming part of the accounts.

Ray & Ray
Chartered Accountants

Sd/-
(S.K. Dasgupta)
Partner

A.K. Sabat & Co.
Chartered Accountants

Sd/-
(A.K. Sabat)
Partner

For and on behalf of the
Board of Directors

Sd/-
(Arvind Pande)
Chairman

Lodha &Co.
Chartered Accountants

Sd/-
(H.K. Verma)
Partner

K.K. Soni & Co.
Chartered Accountants

Sd/-
(K.K. Soni)
Partner

P.A. & Associates
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Place : New Delhi
Date : July 16, 1997

Place : New Delhi
Date : August 4, 1997

AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE)

COMMENTS

1. (a) The Company has maintained proper records showing in most cases, full particulars including quantitative details and situation of its fixed assets.

   (b) The fixed assets of the Company, except in some cases, have been physically verified by the Management during the year in accordance with a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no serious discrepancies have been noticed in those cases where reconciliation has been completed and in regard to the remaining items, discrepancies, if any, are not ascertainable.

2. The fixed assets of the Company have not been revalued during the year.

3. Except in a few cases, the stocks of semi/finished products and raw materials have been physically verified by the Management at all its locations with reasonable frequency during the year. Stores and spare parts, except in a few cases, are verified in accordance with a regular programme of verification which in our opinion, is generally reasonable. In certain cases, the stock of scraps and middlings has been verified on the basis of visual survey/estimates.

4. In our opinion and according to the information and explanations given to us, the procedures for physical verification of stocks, followed by the management are generally reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies between physical stocks and book records arising out of physical verification, which were stated to be not material, have been properly dealt with in the books of account.

6. In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis, as in the preceding year.

7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As informed to us, there is no Company under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

8. The Company has granted unsecured loans to companies listed in the register maintained under section 301 of the Companies Act, 1956, as under:

		(Rs. in crores)
(a)	Indian Iron and Steel Company Limited (IISCO)	664.77
(b)	Visvesvaraya Iron & Steel Limited (VISL)	68.52
(c)	Maharashtra Elektrosmelt Ltd. (MEL)	1.00

The above amounts do not include loans of Rs.216.39 crores and accrued interest thereon of Rs.118.66 crores given by the Government of India to IISCO and routed through the Company.

In respect of loans given to IISCO and VISL from own funds, the terms of repayment of principal amount have neither been specified nor any repayment of loans has been received from these companies, except as stated in Note No.4.1.2 of Notes on Accounts.

MANAGEMENT'S REPLIES

IISCO is a loss making subsidiary of SAIL and is under BIFR. The terms of repayment of principal amount would be determined based on the revival package.

As regard VISL, Government of India have approved take over of VISL by SAIL subject to relief from Steel Development Fund (SDF) to compensate for its accumulated losses, based on audited accounts. Accumulated losses amounting

COMMENTS	MANAGEMENT'S REPLIES
	to Rs.148.94 crores as on 31.3.96, based on audited accounts of VISL, have been adjusted against loans from SAIL. Similar adjustment for losses of VISL during 1996-97 will be carried out in 1997-98.
9. Loans and advances in the nature of loans have been given by the Company to the employees, their co-operative societies and other parties and they are, repaying in most cases, the principal amounts as stipulated and are also regular in payment of interest where applicable. Reasonable steps are being taken for recovery in the defaulting cases.	
10. In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.	
11. In our opinion and having regard to our comments in paragraph 10 above and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods,materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable, having regard to the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or materials have been made with other parties.	
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and on such basis, adequate amounts have been written off or provided for in the accounts.	
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the applicable rules framed thereunder with regard to the deposits accepted from the public.	
14. In our opinion, resonable records have been maintained by the Company for the sale and disposal of scraps and by-products where applicable and significant.	
15. In our opinion, the Company's internal audit system is commensurate with the size and nature of its business. However, it needs to be further strengthened and the scope of internal audit enlarged.	Scope and coverage of Internal Audit has been reviewed and enhanced during the year. Action is being taken to further strengthen and increase the activities of the department.
16. We have broadly reviewed the records maintained by the Plants for production of Sulphuric Acid, Benzene, Toluene and Steel Tubes and Pipes pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether these are accurate and complete.	
17. According to the records of the Company, Provident Fund dues have generally been regularly deposited during the year with the appropriate authorities. As informed to us, the Employees' State Insurance Act is not applicable to the Company.	

AUDITORS' REPORT

COMMENTS	MANAGEMENT'S REPLIES

18. According to the information and explanations given to us, there are no undisputed amounts payable in respect of income-tax, wealth-tax, sales tax, custom duty and excise duty, which have remained outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practices.

20. The Company is not a Sick Industrial Company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the Company's trading activities, damaged goods, as explained to us by the management, have been ascertained and adequately dealt with in the accounts.

22. In respect of service activities carried out by the Company, which are not significant in view of the size of the company, in our opinion, there is a reasonable system of recording receipts, issues and consumption of materials and stores and allocation of materials and manhours to the relative jobs. There is also a resonable system of authorisation at proper levels and adequate system of internal control, commensurate with the size of the Company and the nature of its business, on the issue of stores and allocation of stores and man-hours to the relative jobs.

Ray & Ray
Chartered Accountants

Sd/-
(S.K. Dasgupta)
Partner

A.K. Sabat & Co.
Chartered Accountants

Sd/-
(A.K. Sabat)
Partner

For and on behalf of the Board of Directors

Sd/-
(Arvind Pande)
Chairman

Lodha &Co.
Chartered Accountants

Sd/-
(H.K. Verma)
Partner

K.K. Soni & Co.
Chartered Accountants

Sd/-
(K.K. Soni)
Partner

P.A. & Associates
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Place : New Delhi
Date : July 16, 1997

Place : New Delhi
Date : August 4, 1997

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 1997

COMMENTS	MANAGEMENT'S REPLIES
1. The accounts of the Company have been revised as a result of observations made by the Comptroller and Auditor General of India as indicated in Note No.6 on Accounts (Schedule-3) forming part of accounts.	
2. The following further comments are made upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the revised accounts of Steel Authority of India Limited for the year ended 31st March, 1997:-	
i. An amount of Rs.114.42 crores towards interest on loans given to a subsidiary company (IISCO which has been referred to BIFR in 1994) has been taken as income. Such interest income was waived in the past, up to the year 1995-96. (Refer Schedule 2.3 and Note No.4.1.1 on the accounts)	SAIL has granted interest bearing loan to IISCO for sustaining its operations. On year to year basis, SAIL decides to waive or otherwise the recovery of interest on loan given to IISCO, depending upon various relevant factors including its own financial position and also the desired level of support to be provided to IISCO. In the past also, SAIL has not fully waived the interest due from subsidiaries. As SAIL is incurring cost on funds provided to IISCO, it was considered prudent not to waive interest during 1996-97 on loans & advances provided to IISCO. Appropriate disclosure note (Note No.4.1.1) containing the total position of investments/loans & advances (including interest) has already been incorporated in notes forming part of the accounts.
ii. Due to deferment of accrued liability towards leave encashment up to the period ended 31st March, 1995, there is a short provision of Rs.126.16 crores.	As the entitlement for leave encashment is a retirement benefit for past service related to services to be rendered by the employees in future, the cost thereof ought to be allocated over the periods during which services are to be rendered. International accounting standard specifically allows recognition of such liability to be spread over the expected remaining working lives of the employees. Accordingly, accrued leave liability upto 31st March, 1995 was crystallised to be written off over the remaining working lives of the employees as determined actuarially during the year 1995-96, in which Accounting Standard-15 pertaining to Accounting for Retirement Benefits in the Financial Statements of Employers was made mandatory. The accounting treatment is in line with previous year and the policy has been consistently followed. Therefore, there is no short provision for leave encashment liability.
iii. There is an undercharge of depreciation and other expenses to the extent of Rs.340.79 crores due to delayed capitalisation of some of the units under modernisation programme at Durgapur and Salem Steel Plants.	It is well-established accounting principle that an asset is capitalised when the same is ready for commercial production. Until trial runs are successfully completed and the plant is appropriately adjusted on the basis thereof, it may not be ready for commercial production. In a continuous process industry like steel, harmonisation of various production facilities, that is, availability of desired quality input in required quantities between the various production processes, is a pre-requisite for the attainment of production in commercially feasible quantities and in a commercially practicable manner. As per our existing accounting policy, trial run expenses beyond six months are

COMMENTS	MANAGEMENT'S REPLIES
	treated as deferred revenue expenditure even when plants are not ready for commercial production. The units under modernisation programme at Durgapur and Salem Steel Plants have been capitalised in line with recognised accounting policies and practices consistently followed, duly supported by technical opinion and hence, there is no under-charge of depreciation or other expenses. Appropriate disclosure note nos. 5.8 and 5.9 have already been incorporated in the Notes forming part of the accounts.
iv. There is an overvaluation of Rs. 24.03 crores on	
a) Accumulated iron ore fines at Bolani (brought in the books for the first time) due to adoption of higher rate and lower percentage of slime loss (Rs.18.42 crores) and	Iron Ore fines at Bolani have been valued on a conservative basis by adopting weighted average cost for the last three years instead of current cost of production. Further as entire stock of iron ore fines does not require washing, slime loss has been considered only in respect of fines which require washing for improving quality. On overall basis, slime loss considered at 10% of total iron ore fines is in line with technical opinion. Hence, valuation of iron ore fines has been correctly done on a conservative basis.
b) Nut coke and other fractions of coke at Rourkela Steel Plant due to non-deduction of moisture contents (Rs. 5.61 crores) in deviation of past practice.	In previous year, stock of nut coke and other fractions had been inadvertently taken on dry basis while realisable value was adopted on wet basis. The error has been rectified during the year by taking quantity and rate on wet basis. This is in line with the uniform practice followed at other steel plants. Hence, there is no over-valuation of stock of nut coke and other fractions.
v. Sundry debtors include Rs.28.59 crores being the amount of cheques dishonoured from 16 customers towards supply of materials (Rs.28.33 crores) and accrued interest (Rs.0.26 crores). No provision has been made against these doubtful debts.	On occasions, the cheques issued by the parties get dishonoured but it does not imply that the due amount is not recoverable. On such occasions some parties make part payment and offer revised schedule for payments. Besides, the company also takes legal action in appropriate cases for recovery of the amounts due. Provisions are required to be made only when debts are considered irrecoverable. This accounting treatment is being followed consistently.
vi. Miscellaneous Expenditure (to the extent not written off or adjusted) is overstated by Rs.0.85 crore by deferring the expenditure incurred on technological assistance relating to manufacturing process of HRSM at Salem Steel Plant.	Expenditure on technical assistance for achieving operational expertise in the newly installed Hot Rolling Steel Mill (HRSM) is treated as deferred revenue expenditure in line with accounting practice consistently followed by us.

Sd/-
(Rakesh Jain)
Principal Director of
Commercial Audit &
Ex-Officio Member,
Audit Board, Ranchi.

Place : Ranchi
Dated : 31st July, 1997

For and on behalf of
Board of Directors

Sd/-
(Arvind Pande)
Chairman

Place : New Delhi
Date : 4th August, 1997

REVIEW OF THE ACCOUNTS OF STEEL AUTHORITY OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 1997 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Financial Position

The table below summarises the financial position of the Company under broad headings for the last three years :-

Description	1994-95	1995-96	**1996-97**
			(Rupees in crores)
Liabilities			
(a) Paid-up Capital			
i) Government	3552.83	3544.71	**3544.69**
ii) Others	433.06	585.69	**585.71**
(b) Reserves & Surplus			
i) Free reserves & surplus	2206.42	2604.10	**2736.60**
ii) Share Premium Account	—	266.32	**245.35**
ii) Capital reserves	443.26	1108.54	**1357.14**
(c) Borrowings from			
i) (a) Government of India	268.54	241.85	**232.18**
(b) Steel Development Fund	4479.59	4676.91	**4781.06**
ii) Foreign sources - Long-term	1882.42	1936.46	**2223.84**
iii) Term Loan from banks	—	—	**400.00**
iv) Non convertible bonds	1100.00	1500.00	**2775.00**
v) Bond Application Money	—	310.00	**—**
vi) Housing Finance Loans	38.56	80.50	**113.26**
vii) Deferred Credit	43.26	0.14	**66.64**
viii) Public Deposits	1497.95	1652.56	**1908.49**
ix) Working capital borrowings from Banks, short term loan from Banks and inter corporate deposit.	2354.23	3564.81	**4247.41**
x) Commercial Paper	—	—	**228.39**
xi) Foreign sources - Short-term	514.30	512.92	**392.80**
xii) Interest accrued and due	78.86	97.60	**118.78**
(d) i) Trade dues and Current Liabilities (excluding Gratuity & Accrued leave Provisions)	4593.19	4903.25	**4591.59**
ii) Provision for gratuity & accrued leave	545.70	674.63	**744.39**
iii) Sundry Creditors for capital works	777.03	668.25	**607.76**
Total (a to d)	24809.20	28929.24	**31901.08**
Assets			
(e) Gross Block	14311.91	16078.40	**20568.40**
(f) Less : Cumulative Depreciation	6755.23	7307.66	**7944.24**
(g) Net Block	7556.68	8770.74	**12624.16**
(h) Capital Work-in-Progress	7501.76	8481.83	**6389.06**
(i) Investments	443.85	498.80	**553.47**
(j) Loans & Advances to Subsidiary Companies	1306.16	1406.23	**1224.48**
(k) Current Assets, Loans and Advances	7920.86	9600.10	**10638.58**
(l) Miscellaneous Expenditure (including Deferred Revenue Expenditure)	79.90	171.54	**471.33**
Total (e to l)	24809.21	28929.24	**31901.08**
(m) Working Capital [k-d(i)-c(xii)]	3248.81	4599.25	**5928.21**
(n) Capital Employed (g + m)	10805.49	13369.99	**18552.37**
(o) Net Worth [(a)+b(i)+b(ii)-l]	6112.41	6829.28	**6641.02**
(p) Net Worth per Rupee of Paid-up Capital (Rs.)	1.53	1.65	**1.61**

N.B. The figures for the previous year, wherever necessary, have been rearranged/regrouped.

REVIEW OF ACCOUNTS

2. Ratio Analysis

Some important financial ratios on the financial health and working of the Company at the end of last 3 years are as under :-

		1994-95	1995-96	**1996-97**
				(In Percentages)
A.	**Liquidity**			
i)	Current ratios (current assets to current liabilities & provisions and interest accrued & due but excluding provisions for Gratuity and accrued leave [k/(d(i)+c(xii)]	169.54	191.97	**225.85**
ii)	Acid Test Ratio (quick assets i.e. cash and bank balances, sundry debtors and loans and advances (excluding balances with Customs, Excise, Port Trust and Railways, etc., and stores issued on loan) to current liabilities (excluding provisions and deferred credits and stores received on loan)	76.43	84.50	**81.54**
B.	**Debt Equity Ratio**			
	Long term debt to Equity [c(i) to viii)/(a+b(i)+b(ii)]	1.50:1	1.49:1	**1.76:1**
C.	**Profitability Ratios**			
(a)	Profit before tax to			
	i) Capital employed	10.77	9.86	**3.17**
	ii) Net worth	19.03	19.31	**8.85**
	iii) Sales	8.39	8.96	**4.16**
(b)	Profit after tax to equity	17.90	18.84	**7.24**
(c)	Earning per share (In Rs.)	2.78	3.19	**1.25**
(d)	Earning per share (In Rs.)-Annualised	2.78	3.30	**1.25**

3. Working Capital

i) The following indicate the working capital vis-a-vis Sales position during the last three years :-

		1994-95	1995-96	**1996-97**
				(Rupees in crores)
a)	Working capital	3248.81	4599.25	**5928.21**
b)	Sales	13866.54	14710.21	**14131.22**
c)	% of Working capital to Sales	23.43	31.27	**41.95**

ii) The working capital as a percentage of capital employed was 30.07 in 1994-95, 34.40 in 1995-96 and 31.95 in 1996-97 indicating share of working capital in capital employed.

iii) The Company has made credit arrangements as detailed below with Consortium of banks, lead bank being the State Bank of India, secured by hypothecation of raw materials, semi/finished products, stores and spare parts, book debts and other current assets. The actual utilisation at the year end, during the last three years, was as under:

Years	**Limit of credit arrangements**	**Utilisation**
		(Rupees in crores)
1994-95	2750	1289.85
1995-96	2750	2881.30
1996-97	**4287**	**3608.00**

4. Sources and Utilisation of Funds

Funds amounting to Rs. 4076.33 crores from internal and external sources were realised and utilised during the year ended 31st March, 1997 as given below :

(Rupees in crores)

I.	**Sources of Funds**		
	Funds generated from operations :		
a)	Profit after tax	515.17	
	Add : Depreciation (including Rs. 3.16 crores relating to prior period)	693.86	
	Less : Increase in miscellaneous expenditure.	—299.79	909.24
b)	Sales of fixed assets		20.77
c)	Increase in borrowed funds		2892.92
d)	Decrease in Loans & Advances to Subsidiaries		181.75
e)	Increase in gratuity and accrued leave provisions.		69.76
g)	Loss on Sales of fixed assets		1.89
			4076.33
II.	**Utilisation of Funds**		
a)	Additions to fixed assets	4570.69	
	Less : Decrease in Capital W-I-P (excl. Sundry creditors for capital works and depreciation on own equipments used for construction)	—2093.52	2477.17
b)	Increase in working capital		1328.96
c)	Increase in Investments		54.67
d)	Decrease in capital reserves		20.48
e)	Decrease in Sundry Creditors for capital works		60.49
f)	Decrease in share premium (Net)		20.97
g)	Proposed Dividend		103.26
h)	Tax on proposed dividend		10.33
	Total (a) to (h)		4076.33

5. Working Results

5.1 The working results of the Company for the last three years are tabulated below :

		1994-95	1995-96	**1996-97**
				(Rupees in crores)
a)	Sales	13866.54	14710.21	**14131.22**
b)	Cash profit (Profit before depreciation and tax)	1687.04	1903.42	**1278.73**
c)	Net profit before tax	1163.33	1318.61	**588.03**
d)	% of Cash profit to Sales	12.17	12.94	**9.05**
e)	% of Net profit to Sales	8.39	8.96	**4.16**

REVIEW OF ACCOUNTS

5.2 Working results variance analysis

The profit before tax of the Company has decreased from Rs.1319 crores in 1995-96 to Rs. 588 crores in 1996-97 resulting in decrease of Rs. 731 crores on account of the following factors :

		Amount *(Rs. in crores)*
i)	Increase in Profit due to higher volume of production, better techno-economic parameters etc.	515
ii)	Decrease in Profit due to increase in input cost i.e. coal, power, fuel, railway freight, etc.	—808
iii)	Decrease in Profit due to lower sales realisation on iron & steel products	—115
iv)	Decrease in Profit due to higher depreciation	—106
v)	Decrease in Profit due to increase in interest (net of Interest from Subsidiaries of Rs.154 crores)	—217
	Total	—731

(—) Indicates Adverse Variance

5.3 Trends

i) The percentage of finished/semi-finished goods in stock at the end of the year to sales has increased from 19.52 in 1994-95 to 20.63 in 1995-96 and 30.18 in 1996-97 as indicated below :

Year	Semi/Finished Stock	Sales	Percentage
1994-95	2707.16	13866.54	19.52
1995-96	3034.93	14710.21	20.63
1996-97	**4264.14**	**14131.22**	**30.18**

ii) The holding of inventory at the end of the financial year during 1994-95 to 1996-97 shows increasing trend. The increase in inventory by Rs. 1229.21 crores in 1996-97 had resulted into blocking of working capital and had increasing impact on the interest payout.

iii) The percentage of Sundry Debtors to Sales increased from 12.28 in 1994-95 to 13.77 in 1995-96 and to 14.60 in 1996-97.

6(a). Cost Trends

The table below indicates the percentage of cost of sales to net sales realisation during the last three years :

Particulars	1994-95	1995-96	**1996-97**
			(Rupees in crores)
Sales	13866.54	14710.21	**14131.22**
Less :			
Excise duty	1556.49	1812.82	**1968.54**
Freight outward	570.43	585.33	**648.30**
JPC Cess	1.92	1.77	**1.75**
Contribution to Steel Development Fund	10.50	—	—
Contribution towards Engineering Goods Export Assistance Fund	199.01	96.78	—
Export Sales Expenses (including Commission to Selling Agents)	40.24	27.95	**32.23**
Total Deductions	2378.59	2524.65	**2650.82**
Net Sales realisation	11487.95	12185.56	**11480.40**
Deduct: Profit	1163.33	1318.61	**588.03**
Cost of Sales	10324.62	10866.95	**10892.37**
Percentage of Cost of Sales to Net Sales realisation	89.87	89.18	**94.88**

i) The increase in percentage of cost of sales to net sales realisation from 89.18 in 1995-96 to 94.88 in 1996-97 has resulted into decrease in net profit from Rs. 1318.61 crores in 1995-96 to Rs. 588.03 crores in 1996-97.

ii) The percentage of profit to net sales realisation decreased from 10.82 in 1995-96 to 5.12 in 1996-97.

Note: Figures of Profit are inclusive of prior period adjustments and write back of provisions no longer required but exclude provision for taxation and transfer to/write back of Investment Allowance Reserve.

6(b). Value of Production

The value of production including excise duty, freight outwards, etc. during the last three years is indicated below :

		1994-95	1995-96	**1996-97**
				(Rupees in crores)
1.	Sales	13866.54	14710.21	**14131.22**
2.	Closing stock of finished/semi-finished products.	2707.16	3034.93	**4264.14**
3.	Opening stock of finished/semi-finished products.	3011.08	2707.16	**3034.93**
4.	Value of Production (1+2-3)	13562.62	15037.98	**15360.43**

The percentage of value of production to NetWorth is 221.89 in 1994-95, 220.20 in 1995-96 and 231.30 in 1996-97. The percentage of value of production to total Net Assets of the Company is 54.67 in 1994-95, 51.98 in 1995-96 and 48.15 in 1996-97.

7. The following table gives the comparative position of Inventory (net of provisions) and its broad details at the close of the last three years :-

		1994-95	1995-96	**1996-97**
				(Rupees in crores)
1.	Stores & Spares (excluding in-transit)	1227.45	1316.61	**1328.72**
2.	Raw Materials (excluding in-transit)	365.59	630.12	**580.73**
3.	Stock-in-trade	2707.16	3034.93	**4264.14**
4.	Others	13.84	15.53	**20.81**
	Total :	4314.04	4997.19	**6194.40**

The stock of stores & spares is equivalent to 8.10 months' consumption of stores & spares in 1994-95, 8.42 months' consumption in 1995-96 and 8.43 months' consumption in 1996-97. The stock of raw materials represents 0.98 months' consumption in 1994-95, 1.51 months' in 1995-96 and 1.25 months' consumption in 1996-97. The stock-in-trade represents 2.34 months' sales in 1994-95, 2.48 months' sales in 1995-96 and 3.62 months' sales in 1996-97.

REVIEW OF ACCOUNTS

8. Sundry Debtors and Turnover

The following table indicates the volume of book debts and sales for the last three years :

As on 31st March	Total Book Debts			Sales	Percentage of total Debts to Sales
	Considered good	Considered doubtful	Total		
					(Rupees in crores)
1995	1663.32	38.97	1702.29	13866.54	12.28
1996	1985.07	40.18	2025.25	14710.21	13.77
1997	**2016.85**	**46.15**	**2063.00**	**14131.22**	**14.60**

The following table indicates the details of the debts outstanding for more than one year as on 31st March, 1997 :

	Govt. Departments/ Undertakings	Private Parties
		(Rupees in crores)
1. Debts outstanding for more than 1 year but less than 2 years.	46.75	22.72
2. Debts outstanding for more than 2 years but less than 3 years.	18.41	16.05
3. Debts outstanding for 3 years or more.	56.82	11.11

Sd/-
(Rakesh Jain)
Principal Director of Commercial Audit
& Ex-officio Member, Audit Board
RANCHI

Place : Ranchi
Date : 31st July, 1997

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures Taken

The overall specific energy consumption in SAIL (4 integrated steel plants) during 1996-97 has been 8.4 G.cal/tcs which is lower than previous year (8.68 G.cal/tcs). Few important energy conservation schemes implemented are :

Bhilai Steel Plant (BSP)

— Intensification of nut-coke charging and increasing hot blast temperature for reduction of coke rate.

— Commissioning of computerised energy management system for on - line monitoring of fuel and all services.

Durgapur Steel Plant (DSP)

— On-line sealing of steam and blast leakage.

— Insulation of steam lines and other hot surfaces.

Rourkela Steel Plant (RSP)

— On-line sealing of gas leakage.

— Modification of ladle drier.

Bokaro Steel Plant (BSL)

— Improvement in ladle heating facility for SMS-I & SMS-II.

Alloy Steels Plant (ASP)

— Duel fuel burners in SMS.

— Ceramic fiber lining in Heat treatment furnace.

(b) Additonal investment and proposal, if any, being implemented for reduction in Energy Consumption

Bhilai Steel Plant (BSP)

— Use of duplex burner in the rotary kiln of RMP-II.

— Introduction of computerised scheduling and optimal thermal regimes in soaking pits.

Durgapur Steel Plant (DSP)

— Automatic control of RAFT in BF # 1.

— Improvement in design and operation Reheating furnace of Section Mill.

Rourkela Steel Plant (RSP)

— High pressure regenerative heater control system for Unit-1 of CPP-II.

— Automation of hood annealing furnace at Cold Rolling Mill.

— Introduction of monolithic lining in tundish of SMS-I.

Bokaro Steel Plant (BSL)

— Phasewise optimisation of steel ladle lining of SMS-II.

— Aerodynamic study of sinter machine # 1& 2 before and after capital repairs.

Alloy Steels Plant (ASP)

— Introduction of Oxy - fuel burner in EAF of SMS.

— Application of low thermal mass material in Annealing Furnaces of Heat treatment Shop for energy saving.

(c) Impact of Measures on Energy Consumption

The declining trend in specific energy consumption continued this year also and the over all specific energy consumption for four integrated steel plants has been 8.4 G.cal/tcs.

(d) Total Energy Consumption & Energy Consumption per unit of Production

Form 'A' as enclosed.

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption are given in Form 'B'

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Steel Items viz. slabs, billets, plates, HR Coils, structurals, CR Coils/Sheets, GP Sheets, Stainless steel slabs, cold rolled stainless sheets etc. were exported to various countries during the year. Total foreign exchange earned and used:

	(Rupees in crores)
i) Foreign exchange earned from exports and other activities	639.89
ii) Foreign Exchange used:	
a) CIF Value of Import	2322.15
b) Other expenditure in foreign currency	233.27

For and on behalf of the
Board of Directors

Sd/-
(Arvind Pande)
Chairman

New Delhi
4th August, 1997

FORM - A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

CONSERVATION OF ENERGY

PARTICULARS	1996-97	1995-96
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
Unit	**KWH**	KWH
Total (Million Units)	**3149.46**	3119.09
Total Amount (Rs. Crores)	**843.22**	673.16
Rate per Unit (Rs.)	**2.68**	2.16
b) Own Generation		
i) Through Diesel Generator		
Unit	**KWH**	KWH
Units per litre of Diesel Oil	**3.00**	3.09
Cost per Unit (Rs.)	**2.86**	2.54
ii) Through Steam Turbine/Generator		
Unit	**KWH**	KWH
Units per Gega Calories of Energy Input	**317**	312
Cost per Unit (Rs.)	**1.51**	1.33
2. COAL		
i) Coking Coal		
Quantity ('000 Tonnes)	**12907.93**	12463.89
Total Cost (Rs. Crores)	**3155.42**	2732.00
Average Rate (Rs. per tonne)	**2444.56**	2191.93
ii) Non-Coking Coal		
Quantity ('000 Tonnes)	**4298.27**	4118.15
Total Cost (Rs. Crores)	**330.11**	288.11
Average Rate (Rs. per tonne)	**768.01**	699.62
3. FUEL-OILS		
Quantity ('000 Kl. Ltrs)	**162.84**	191.84
Total Cost (Rs. Crores)	**102.20**	105.46
Average Rate (Rs.per Kl. Ltrs)	**6276.21**	5497.02
i) Coke		
Quantity ('000 Tonnes)	**341.36**	578.96
Total Cost (Rs. Crores)	**135.77**	210.94
Average Rate (Rs. per tonne)	**3977.30**	3643.35
ii) Misc.		
Total Cost (Rs. Crores)	**44.21**	44.53

B. CONSUMPTION PER TONNE OF PRODUCTION

	STEEL (4 Integrated Steel Plants)	ALLOY & SPL. STEELS (ASP & SSP)*	GROSS CAN (RFP)#
Purchased Electricity (Kwh)	275 (285)	906 (952)	532 (445)
Fuel-Oils (Litres)	16 (19)	53 (67)	
Coking Coal (Kgs.)	1379 (1357)		
Non-Coking Coal (Kgs.)	463 (447)	19 (24)	
Coke (Kgs.)	36 (63)	12 (13)	

* ASP & SSP stand for Alloy Steels Plant & Salem Steel Plant.
# RFP stands for Rourkela Fertilizer Plant.
Note : Figures in brackets are for the previous year.

FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

1. **Specific areas in which R&D activities were carried out by the Company are:**
   - Quality Improvement
   - Yield Improvement
   - Productivity Improvement
   - Energy Conservation
   - New Technology/Product Development

2. **Benefits derived as a result of above R&D efforts**

Quality Improvement

- Introduction of state-of-the-art distributed digital control system for the hood annealing line of CRM at RSP has resulted in 43 per cent reduction in re-annealing, 63 per cent reduction in coil stickers and 17 per cent reduction in energy consumption.
- Non-metallic inclusions and transverse cracks in the cast slab of BSP have been reduced considerably by using a modified mould powder.
- Pit density in normalised plates of BSP has been reduced from 8 pits/m^2 to 2 pits/m^2 thereby improving the surface finish of the normalised plates, by elimination of blistered rollers and scale reduction in furnace through the introduction of furnace controller, Oxygen analyser, Ceramic doors and dampers.

Yield Improvement

- Optimisation of the location of dam and weir in tundish and the port angle of sub-entry-nozzle in mould coupled with the modified concast, soaking & hot rolling parameters have increased the prime yield & total yield of CR coils of the austenitic stainless steels produced through ASP-SSP route significantly.
- Introduction of an on-line system based on CCD line Scan Camera, Electronic Signal Processing through PC and Digital Display Meters at BBM of ASP have improved the cut length accuracy from $\pm$50 mm to $\pm$ 20 mm.
- Improved deoxidation practice by FeMn & SiMn, reduced soaking temperature, nitrogen rinsing of ladle to reduce heterogeneity and control of slag carry-over have reduced the molten core in blooms by 40 per cent at BSP.

Productivity Improvement

- Introduction of dampers for ignition hood pressure control and IR moisture gauges for control of sinter mix moisture at RSP sinter plant appreciably improved the sinter quality (RI : 61.2 to 64.7 per cent; TI: 71 to 75 per cent) and productivity from 0.85 to 0.88 t/m^2/hr.

- Optimisation of balling regime leading to increased vertical sintering speed, has improved the productivity of new sinter plant at DSP from 0.87 to 1.17t/m²/hr.
- *Superior quality anhydrous trough mass has been developed and used in BF#4 at RSP. It has resulted in a* record through put of 47,500 THM (Normal 25,000-30,000 THM).
- The productivity of BF#5 at BSL and BF#1 at DSP has been improved by 18 per cent through a number of process intensification measures, viz. modification of throat diameter, optimisation of RAFT, increase in blast humidification, correction in burden distribution, etc.
- Introduction of modified entry & delivery guides, thermal regimes of reheating furnace, closed-circuit TV have increased average rolling rate by 11 per cent of Section Mill at DSP. Mill utilisation has also improved by 20 per cent due to reduction in cobbles.
- *Replacement of batch annealing process by continuous annealing for thinner gauge of ferritic stainless steel at* SSP has increased the production rate from 3 to 30t/hr. Due to raised annealing temperature, 40 per cent increase in productivity of Skin Pass Mill has been achieved.

Energy Conservation

- Process optimisation efforts viz. optimisation of coke layer thickness & adjustment in burden distribution, modification in tuyere parameters led to decrease in coke rate in BF#1 at DSP by 30 Kg/thm.

New Technology/Product Development

- An environmental friendly 10 tpd commercial plant has been designed, installed/ commissioned and put to regular use at BSP for Recovery of acid from sludge generated during acid washing of crude benzol.
- A commercial plant has been installed at BSP to reduce moisture content in benzene from more than 1000 ppm to less than 100 ppm; and also to reduce Thiophene sulphur to less than 5 ppm.
- A technology for 'Pretreatment of Hot Metal' has been developed at BSL to achieve simultaneous removal of Si, S & Mn from hot metal, Steel made from this pre-treated hot metal is found to be of superior quality.
- Development of HSLA 80 type steel for Indian Navy at RSP.
- Production of M-36/M-27 grade CRNO steel at RSP.
- *Commercialisation of high strength cold rolled steel for automobile industry at BSL.*
- Development of E-38 hot rolled steel for automobile industry at BSL.
- Production of wheels as per IRS-R-19-93 specification through BOF-LTS route at DSP.

3. **Future Plan of Action**

R & D programmes identified for the next five years are as follows:

Technology Areas	**Objectives**
Coal, Coke & Chemicals	Improvement in coke quality and yield; Improvement in Coal Car-bonisation practice; Improvement in quality of coal chemicals and development of new value added by-products.
Mineral Engg. & Agglomeration	Development of intensive beneficiation schemes and technological upgradation of Beneficiation Plants; Improvement in Consistency of raw materials, Aerodynamics and improvement in process technology of Sintering; Utilisation of ferrugenous/ metallurgical wastes.
Iron Making	Improvement in productivity of blast furnaces; Reduction in Cokerate; Assimilation of new iron making technologies; Development of Oxy-Coal process; Development and adaptation of Oxygen blast furnace technology.
Steelmaking & Casting	Improvement in yield and quality of BOF steel; Improvement in productivity of BOF; Process technology for clean low carbon and special aluminium killed steels; Design and Control of Secondary cooling regime of Continuous Casting.
Refractories	Improvement in BOF lining life; Development and application of new generation monolithics and coating masses; Improvement in steel ladle life; Development of models for customised lining design and life prediction.
Rolling Technology	*Improvement in Operational efficiency of Rolling Mills; Improvement in quality and* productivity of Loco, Coach and Wagon Wheels; Elimination of surface defects,

Technology Areas	Objectives
	improvement in dimensional accuracy and quality of hot rolled *and cold rolled* products; Improvement in equipment availability through condition based maintenance system.
Product Development	Technology development of special steels for Automotive, Agriculture & Tube Segments; Quality improvement and value addition to coated products (Galvanised); New generation wear resistant material through surface engineering; New grades of high strength rails and wheels; New grades of stainless steel.
Energy Conservation	Development and introduction of fuel efficient burners; Energy conservation using process models and combustion control.
Automation &Computerisation	Process control through automation, Development of integrated communication and Instrumentation Systems; Application of artificial intelligence for process control; Computerisation of Business process in steel plants; Networking Technology; Devlopment and application of software for Personnel, Financial, Materials Management, and also for Production Planning and Control.

4. **Expenditure on R&D**

	1996-97	1995-96
		(Rupees in crores)
— Capital	**5.69**	6.89
— Revenue	**45.60**	43.23
— Total	**51.29**	50.12
— % of Turnover	**0.36**	0.34

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

Technology development, absorption, adaptation and further improvement are continuously taking place in SAIL in different areas of production through intensive R&D efforts. Further, a number of new technologies are installed/being installed as a part of modernisation plans of DSP, RSP & BSL. These include:

- Selective Crushing of Coal, Slit Rolling in Merchant Mill and Continuous Casting of billets at DSP.
- Base blending for sinter mix, Partial Briquetting of Coal Charge (PBCC), Post mixer desulphurisaton of hot metal and Continuous Casting of Slabs at RSP.
- Laminar Strip Cooling, Hydraulic Automatic Gauge Control, work Roll Bending in the Hot Strip Mill and introduction of continuous Casting of slabs at BSL.

These technologies will be gradually absorbed by the plants on their completion.

Imported technologies for which separate agreements were signed by Centre for Engineering & Technology (CET) along with their years of import and status of absorption are indicated below:

Sl. No.	Name of the Agreement	Year of import	Whether fully absorbed
1.	HTS (Hoogovens) Stove Technology for high hot blast temperature in BF Stoves from M/s HTS BV, Netherlands	1986	Fully absorbed
2.	Bell Less Top Charging System from M/s. Paul Wurth, Luxembourg	1987	— do —
3.	INBA Cast House Slag Granulation Technology from M/s Paul Wurth, Luxembourg	1989	— do —
4.	Galvalume Technology for coating of steel sheets with A1, Zn alloy from M/s BIEC, USA & JLA, Australia	1993	Yet to be implemented

Benefits derived as a result of the above efforts have been listed in Item - 2 under Research & Development.

CASH FLOW STATEMENT

The Board of Directors,
Steel Authority of India Limited

We have examined the attached Cash Flow Statement of Steel Authority of India Limited for the year ended 31st March, 1997. The Statement has been prepared by the Company in accordance with the requirements of listing agreements with various stock exchanges in India and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 16th July, 1997 to the members of the Company.

Ray & Ray
Chartered Accountants

Sd/-
(S.K. Dasgupta)
Partner

A.K. Sabat & Co.
Chartered Accountants

Sd/-
(A.K. Sabat)
Partner

Lodha & Co.
Chartered Accountants

Sd/-
(H. K. Verma)
Partner

K.K. Soni & Co.
Chartered Accountants

Sd/-
(K.K. Soni)
Partner

P.A. & Associates
Chartered Accountants

Sd/-
(P.S. Panda)
Partner

Place : New Delhi
Date : July 16, 1997

Cash Flow Statement for the year	1996-97	1995-96
		(Rupees in crores)
A. Cash flow from Operating Activities		
Net profit before Interest, Tax and Dividend	**1519.83**	2029.00
Adjustments for :		
Depreciation	**693.86**	589.47
Profit / loss (-) on sale of Fixed Assets	**-1.89**	0.09
Deferred revenue expenditure (Charged during the year)	**40.00**	44.50
Operating profit before working capital change	**2255.58**	2662.88
Less : Adjustments for :-		
Inventories	**1102.31**	779.00
Sundry Debtors	**31.78**	321.76
Loans and Advances	**-66.38**	201.98
Current liabilities and provisions	**208.58**	-233.41
Defered revenue expenditure (Additions)	**339.79**	136.12
Cash generated from operations	**639.50**	1457.43
Interest and Finance Charges paid	**1060.08**	723.38
Interest received	**55.58**	75.97
Income taxes paid during the year	**75.86**	6.61
Net Cash from Operating Activities	**-440.86**	803.41
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	**1880.32**	2341.04
Interest and Finance Charges (Capitalised)	**590.61**	503.87
Fixed Assets sold /retired	**20.77**	12.29
Purchase/Sale of investments (net)	**54.67**	54.95
Dividend Income	**0.48**	0.45
Net Cash used in Investing Activities	**2504.35**	2887.12
C. Cash flow from Financing Activities		
Proceeds from Issue of Share Capital	—	144.51
Share Premium Account	—	266.32
Bond Issue Expenses	**-20.97**	—
Capital Reserves	**-20.48**	7.89
Proceeds from Borrowings (net)	**2847.60**	2359.16
Dividend paid during the year	**263.54**	239.15
Net Cash from Financing Activities	**2542.61**	2538.73
Net Increase in Cash & Cash Equivalents (A-B+C)	**-402.60**	455.02
Cash & Cash Equivalents (Opening)	**694.30**	239.28
Cash & Cash Equivalents (Closing)	**291.70**	694.30
(Represented by Cash & Bank Balances)		

For and on behalf of Board of Directors

Sd/- **(L.A.K. Sinha)** *Executive Director & Company Secretary*

Sd/- **(V.S. Jain)** *Director (Finance)*

Sd/- **(Arvind Pande)** *Chairman*

In terms of our report of even date
For and on behalf of

Ray & Ray *Chartered Accountants* **Sd/-** **(S.K. Dasgupta)** *Partner*

A.K. Sabat & Co. *Chartered Accountants* **Sd/-** **(A.K. Sabat)** *Partner*

Lodha & Co. *Chartered Accountants* **Sd/-** **(H. K. Verma)** *Partner*

K.K. Soni & Co. *Chartered Accountants* **Sd/-** **(K.K. Soni)** *Partner*

P. A. & Associates *Chartered Accountants* **Sd/-** **(P. S. Panda)** *Partner*

Place : New Delhi
Dated : July 16, 1997

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

NAME OF THE SUBSIDIARY	INDIAN IRON & STEEL COMPANY LTD.*	MAHARASHTRA ELEKTROSMELT LIMITED	VISVESVARAYA IRON & STEEL LIMITED**
			(Rupees in crores)
1. Financial year of the subsidiary ended on	31st March, 1997	31st March, 1997	31st March, 1997
2. Date from which they became subsidiary company	1st May, 1978	18th October, 1986	1st August, 1989
3. Shares of the subsidiary held by the company as on 31st March, 1997.			
a) Number & face value	38,76,65,757 equity shares of Rs.10/- each fully paid up	97,87,935 equity shares of Rs.10/- each fully paid up	18,17,33,250 equity shares of Rs. 10/- each fully paid up
b) Extent of holding	100%	97.88%	72.84%
4. The Net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding company:			
a) Not dealt with in the holding company's accounts.			
i) For the financial year ended 31st March, 1997	(213.04)	(1.57)	(74.13)
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries ***	(887.15)	19.59	(63.96)
b) Dealt with in the holding company's accounts.			
i) For the financial year ended 31st March, 1997	Nil	Nil	Nil
ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	Nil	Nil	Nil

* 30,00,000 equity shares of Rs.10 each in IISCO Ujjain Pipe & Foundry Co. Ltd. are held by Indian Iron & Steel Company Limited. The cumulative loss of IISCO Ujjain Pipe & Foundry Co.Ltd. upto 31st March, 1996 was Rs. 15.14 crores. No adjustments have been made in the books of the Indian Iron & Steel Co. Ltd. in respect of the said loss of the subsidiary company. The audited accounts of IISCO Ujjain Pipe & Foundry Co.Ltd. for the year ended 31st March, 1997 were not available and approval thereof of Central Government has been obtained U/s 212(8) of the Indian Companies Act, 1956.

** SAIL has acquired the remaining equity shares of VISL and it has become wholly owned Subsidiary of SAIL w.e.f. 23rd May, 1997. Also, Government of India has approved relief to SAIL from Steel Development Fund (SDF), towards accumulated losses of VISL as on 31.3.97. Accumulated losses amounting to Rs. 148.94 crores as on 31.3.96, based on audited accounts of VISL; have been adjusted against loans from SAIL. Similar adjustment for losses of VISL during 1996-97 will be carried out in 1997-98.

*** The figures are taken for the financial years following the year of takeover.

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-
(L.A.K. Sinha)	**(V.S. Jain)**	**(Arvind Pande)**
Executive Director & Company Secretary	*Director (Finance)*	*Chairman*

PRINCIPAL EXECUTIVES

AS ON 04.08.1997

CORPORATE OFFICE

NEW DELHI

Chairman
Arvind Pande

Directors

Commercial
U.K. Mittal

Personnel
Dr. B.N. Singh

Finance
V.S. Jain

Corporate Planning
M.K. Moitra

Projects & Operations
B.K. Singh

Executive Director & Company Secretary
L.A.K. Sinha

Executive Directors

Power & Energy
Ranjit Chakraborty

Operations
T.K. Ghosh

Projects
A.K. Roy

Environment Management
A.K. Mukherjee

Finance
R.K. Ghosh

Law
G.M. Mishra

SAILCON
Ashish Kr. Das

Safety
S.C.L. Das

Vigilance
J.C. Aylawadi

Materials Management
P.N. Prasad

Personnel & Admn.
T. Tiwari
G. Jagannathan

STEEL PLANTS

Bhilai Steel Plant

Managing Director
V. Gujral

Executive Directors

Works
S. Pande

Personnel & Admn.
G. Upadhyaya

Director (M & HS)
Dr. J.N. Mishra

Aviation
Comm. M. Vergese

Finance & Accounts
C.S. Murthy

Durgapur Steel Plant

Managing Director
S.B. Singh

Executive Directors

Works
Dr. S.M. Aeron

Personnel & Admn.
D. Mohanty

Projects
R.P. Seth

Rourkela Steel Plant

Managing Director
A.K. Singh

Executive Directors

Works
B.R. Satpathy

Projects
N. Dash

Bokaro Steel Plant

Managing Director
K.A.P. Singh

Executive Directors

Works
B Ghoshal

Aviation
Capt. B.D. Gupta

Alloy Steels Plant

Executive Director
R.L. Sharma

Salem Steel Plant

Executive Director
G.L. Ramasheshan

ORGANISATIONS

Research & Development Centre for Iron & Steel

Director
Dr. S.K. Bhattacharyya

Executive Directors
Dr. S. Mishra
Dr. S.R. Mediratta

Raw Materials Division

Director
G.S. Garcha

Executive Director

Mines
P.P. Chanana

Centre for Engg. & Technology

Executive Director
D.A. Pikle

Growth Division

Executive Director
H.N. Singh

Central Marketing Organisation

Executive Directors

Marketing
P. Ganesan

Transport & Shipping
B. Basu

International Trade Division
B.N. Jha

Coal Import & SPD
J.P. Goswami

SUBSIDIARIES

Indian Iron & Steel Co.

Managing Director
S.C.K. Patne

Executive Directors

Works
T.S. Hora

Projects
S. Dutta

Aviation
Capt. P.K. Nath

Company Secretary
A.K. Mukherjee

Maharashtra Elektrosmelt Ltd.

Executive Director
A.K. Jayaswal

Company Secretary
R. Ashokkumarr

Visvesvaraya Iron & Steel Ltd.

Executive Director
G.K. Sinha

Company Secretary
R. Srinivasan

ADDRESSES OF PLANTS, UNITS, SALES OFFICES AND SUBSIDIARY COMPANIES

CORPORATE OFFICE

Ispat Bhavan
Lodi Road
New Delhi-110003

STEEL PLANTS
Bhilai Steel Plant
Bhilai-490001
Madhya Pradesh

Durgapur Steel Plant
Durgapur-713203
West Bengal

Rourkela Steel Plant
Rourkela-769011
Orissa

Bokaro Steel Plant
Bokaro Steel City-827001
Bihar

Alloy Steels Plant
Durgapur-713208
West Bengal

Salem Steel Plant
Salem-636013
Tamil Nadu

UNITS
Raw Materials Division
10 Camac Street
Industry House
Calcutta-700017
West Bengal

Central Coal Supply Organisation
Dhanbad-828127
Bihar

Environment Management Division
6 Ganesh Chandra Avenue
(5th Floor)
Calcutta-700013
West Bengal

Growth Division
97 Park Street
Calcutta-700016
West Bengal

Research & Development Centre
for Iron & Steel
Ranchi-834002
Bihar

Centre for Engineering &
Technology
Ranchi-834002
Bihar

Management Training Institute
Ranchi-834002
Bihar

SAIL Safety Organisation
Ranchi-834002
Bihar

SAIL Consultancy Division
Hindustan Times House, 11th Floor
18-20 Kasturba Gandhi Marg
New Delhi-110001.

CENTRAL MARKETING ORGANISATION

HEADQUARTERS
Ispat Bhavan
40 Jawahar Lal Nehru Road
Calcutta-700071

COMMERCIAL DIRECTORATE
Hindustan Times House
13th & 14th Floors
18-20 Kasturba Gandhi Marg
New Delhi-110001

INTERNATIONAL TRADE DIVISION
Hindustan Times House
13th Floor
18-20 Kasturba Gandhi Marg
New Delhi-110001

EASTERN REGION
Regional Office
Jeevan Sudha Building
(8th & 9th Floors)
42-C Jawaharlal Nehru Road
Calcutta-700071

WESTERN REGION
Regional Office
The Metropolitan
8th Floor (East Wing) &
9th Floor (West Wing)
Plot C-26/27, Block-E,
Bandra-Kurla Complex
Bandra East
Mumbai-400051

SOUTHERN REGION
Regional Office
Ispat Bhavan
2, Kodambakkam High Road
Nungambakkam
Chennai-600039

NORTHERN REGION
Regional Office
Antriksh Bhawan
10th & 11th Floors
22, Kasturba Gandhi Marg
New Delhi-110001

NORTH WEST REGION
Regional Office
SCO 57-59, Sector 17-A
Chandigarh-160017

CENTRAL REGION
Regional Office
Arcade Silver 56
1-New Palasia (3rd Floor)
Indore-452001

FERTILISERS & CHEMICALS DIVISION (HQ)
2 Fairlie Place
Calcutta-700001

TRANSPORT & SHIPPING DEPARTMENT (HQ)
2 Fairlie Place
Calcutta-700001

SUBSIDIARIES
The Indian Iron & Steel Company Limited
Burnpur-713325
West Bengal

IISCO-Ujjain Pipe & Foundry Company Limited
Ujjain-456010
Madhya Pradesh

Maharashtra Elektrosmelt Limited
Chandamul Road
Chandrapur-442401
Maharashtra

Visvesvaraya Iron & Steel Limited
Bhadravati-577301
Karnataka

ANNUAL REPORT
1996-97

THE INDIAN IRON & STEEL COMPANY LIMITED

DIRECTORS' REPORT

To

The Members,

The Board of Directors have pleasure in presenting the 80th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1997.

FINANCIAL REVIEW

During 1996-97 the Company achieved a turnover of Rs.958.73 crores(previous year Rs.1038.54 crores).The turnover of the Company has been adversely affected due to very sluggish market for long products, structurals and steep competition from domestic producers of Pig Iron and imports. The net loss for the year after charging depreciation Rs.25.58 crores (previous year Rs.23.44 crores) and interest Rs.126.91 crores (previous year Rs.10.21 crores) was Rs.213.04 crores as compared to net loss of Rs.49.05 crores of previous year. Abnormal escalation in input prices and interest charges are major factors for the higher loss during the year.

During the year Steel Authority of India Ltd. (SAIL) provided loan of Rs.19.57 crores for capital schemes and Rs. 35.36 crores for working capital.

Equity share capital of the Company remained same at Rs.387.67 crores at the end of the year.

The Company is in arrears in repayment of loans (including interest) to Financial Institutions amounting to Rs.68.28 crores as on 31st March, 1997.

PRODUCTION REVIEW

Burnpur Works

The Steel Plant produced 789.4 thousand tonnes of Hot Metal, 351.9 thousand tonnes of Pig Iron, 352.6 thousand tonnes of Crude Steel and 338.4 thousand tonnes of Saleable Steel. Compared to the previous year, growth has been achieved in the production of Ingot Steel and Saleable Steel by 7.1% and 11.9% respectively.

Production of 69.9 thousand tonnes of Bars & Rods registered a growth of 61.2% over the previous year and production of 23.8 thousand tonnes of Special Sections registered a growth of 38.1% over the previous year. The Plant produced 82.0 thousand tonnes of Saleable Steel in Cu/Hy-ten quality, which was the best-ever yearly production of special quality Steel.

In the Techno-economics front, the Plant achieved the best-ever yearly coke rate of 859 kg/T and best-ever yearly basis refractory consumption rate of 14.4 Kg/T during the year.

The overall Energy Consumption was reduced by 1.5% compared to previous year.

Kulti Works

Spun Pipe production during the year was 19.1 thousand tonnes against 20.6 thousand tonnes in 1995-96 . Total Casting output for the year was 47.1 thousand tonnes (previous year 62.2 thousand tonnes).

Sales of 19.1 thousand tonnes of C.I. Spun Pipes and sales of 32.9 thousand tonnes of Casting were lower than last year.

Special emphasis was given for production of items required by Burnpur Works and other units of SAIL.

Collieries

Total coal raisings from three Captive Collieries was 859 thousand tonnes. Clean coal output from Chasnalla Washery was 498 thousand tonnes. Despatch of 341 thousand tonnes clean coal was the highest ever despatch through Railways from the Chasnalla Washery.

Ore Mines

Iron Ore lump production was 1238 thousand tonnes from two Captive Ore Mines which is 7% higher than the previous year. Gua Ore Mines achieved its best ever production of 3893 thousand tonnes of lumps and fines registering a growth of 14% over the previous year.

Lump ore despatch of 1237 thousand tonnes registered a growth of 6% over the previous year.

Sales and Marketing Review

Domestic Sales

The demand for steel dipped due to decline in Consumers' demand for heavy structurals and long products. The availability of steel far exceeded the demand leading to fierce competition amongst producers resulting in allowing dispensations, credits and other marketing tools. To avoid accretion in stock, dispensations had to be offered, which particularly increased in the second half of the financial year due to continuously depressed trend in the market.

Despite adverse market situation, sales of 315.8 thousand tonnes of Steel were higher by 2.9 per cent than the previous year. Sales of Pig Iron were 256.7 thousand tonnes (previous year 337.9 thousand tonnes). The price of Pig Iron also had declined considerably due to steep competition from the secondary producers and surplus availability of Pig Iron in the Domestic Market. The sales could be achieved in view of better customer services and satisfying their demands due to sustained improvement in quality and adhering to strict delivery schedules.

EXPORT

Export during 1996-97 was 1573 MT including export of Steel of 1460 MT to Nepal and Bangladesh.

CAPITAL SCHEMES REVIEW

During the year, the Company incurred capital expenditure of Rs 47.78 crores on fixed assets and capital work in progress. At Burnpur Works,two numbers Gas Cleaning Plants were constructed under Pollution Control Scheme which was undertaken in April'96 and completed in December'96. The 1900 M Rapid Gravity Filter Unit was commisioned on 12.8.1996.

At Kulti Works, Gas Cleaning Plant for Cupolas under pollution control scheme at three production shops was successfully commis sioned during the year under review.

QUALITY

The thrust to improve the quality of products continued during the year. ISO - 9002 Certification for quality system was obtained from M/s. YUV for Merchant & Rod Mill products.

ENVIRONMENT MANAGEMENT

Environment management and pollution control have become priority areas in the activities of the Company. Environment Awareness campaign through observance of World Environment Day and Environment month was organised. About 20,000 saplings of different plants were planted in Burnpur & Kulti Townships and Works areas. Special emphasis was laid on environment related activities of Eco-clubs of all the schools throughout the year.

At Burnpur Works 4 units of Dust Extraction system for Open Hearth Furnaces of Steel Melting Shop were completed and commissioned between 23.10.96 and 11.12.96.

Dust extraction system at G.C. Shop, HM Foundry and Spun Pipe Plant No. 2 was commissioned at Kulti Works. Dust extraction system at L.C. Shop and Spun Pipe Plant No. 3 have been taken up on priority basis in the current year.

Consent for air and water has been received from West Bengal Pollution Control Board. Authorisation for handling hazardous waste was received from WBPCB.

HUMAN RESOURCE MANAGEMENT REVIEW

The Company stresses great importance to the development of its human resources to improve efficiency and productivity.

MANPOWER UTILISATION

The manpower strength as on 31st March, 1997 was 28846 comprising 1403 executives and 27443 non-executives. The manpower strength as on 31st March,1996 was 30246. The reduction of manpower strength by 1400 includes voluntary retirement.

During the year 1996-97, a sum of Rs.13.5 crores was received as Grants-in-Aid from National Renewal Fund for implementation of Voluntary Retirement Scheme in IISCO. The fund has been fully utilised and 334 employees were released on Voluntary Retirement under the NRF Scheme.

INDUSTRIAL RELATIONS

The Industrial Relations remained normal and peaceful during the year.

SAFETY & OCCUPATIONAL HEALTH

The thrust towards Safety and Occupational Health continued. 2764 employees were trained on various safety aspects during the year.

TRAINING

The endeavour to make training more result and skill oriented continued during the year with 7213 employees trained in various fields including 3 employees trained abroad.

SCHEDULED CASTES/SCHEDULED TRIBES

Scheduled Caste and Scheduled Tribe employees were 11.91 per cent and 2.96 per cent respectively of the total manpower as on 31.3.1997.

DIRECTORS' REPORT

SUGGESTION SCHEME

All efforts were made to popularise the suggestion scheme amongst the employees. During the year a total of 4081 suggestions were received in all units of IISCO which was higher by 254 percent than previous year.

AWARDS

18 employees were given Jawahar and Nehru Award for extraordinary, innovative and exemplary job performance in their work-field and 7 employees/their wards were given Netaji Subhash Award for significant achievement in various fields of activities.

OFFICIAL LANGUAGE POLICY

The Company continues to pursue vigorously implementation of the Official Language Policy of the Government. Employees are encouraged to carry out their official work in Hindi and liberal incentives for such work are given. Official Language Fortnight Celebrations and workshops & seminars on technical writing in Hindi were organised during the year. Rajbhasha Shield was awarded in various competitions to encourage the employees.

EMPLOYEES' WELFARE

Company undertook various welfare measures for the benefits of the employees like maintenance of houses, education for children, medical facilities, avenues for socio-cultural activities and other facilities. On this account the Company spent Rs.38.52 crores during the year.

SPORTS

During the year, various sports activities were conducted for employees and their dependents. Young Children of Company's schools showing potential in sports were given coaching by experienced coaches in different disciplines of sports. In the Steel Plant Sports Board Championship, the Company won 1 Gold, 5 Silver and 2 Bronze Medals in different events.

PERIPHERAL DEVELOPMENT

Various welfare measures like providing drinking water facilities, making/repairing roads etc. were undertaken during the year.

Expenditure on Publicity, Foreign Tours, Guest Houses and Entertainment

During the year expenditure on Public Relations including publicity was Rs.56.96 lakhs. Expenditure on Foreign Tours, Guest Houses and Entertainment was Rs.6.20 lakhs, Rs.17.46 lakhs and Rs.3.89 lakhs respectively.

Development of Small-scale/ Ancillary Industries

The thrust on procurement of stores and spares items from small scale units continues. Burnpur Works placed orders for Rs.3.94 crores on small scale units during the year which is 14.5 per cent higher than previous year.

Status on Rehabilitation

SAIL is considering revival of IISCO by associating a co- promoter(s) through participation in joint venture with SAIL retaining 51% equity holding.The Revival Plan is under finalisation and envisages concessions/reliefs from Government of India/Government of West Bengal.On approval of the Revival Package by Government of India /BIFR the same would be implemented.

SUBSIDIARY

The Hon'ble Calcutta High Court at its hearing on 10.7.1997 in BIFR cases relating to the subsidiary - IISCO Ujjain Pipe & Foundry Co. Ltd., - considered the opinion of the Board for Industrial and Financial Reconstruction under Section 20(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, and directed that the company be wound up. The Official Liquidator has been directed by the Hon'ble High Court to take possession of the assets forthwith, to issue notice to secured creditors of the company, and to publish the gist of the winding up order within a fortnight.

Accounts of the subsidiary for financial year ending 31.3.1997 could not be finalised earlier because of industrial relations problems at the Ujjain Plant where the records were kept. An application for exemption under Section 212 (8) of the Companies Act, 1956, had been made to the Central Government on 16th June, 1997. The Central Government vide its letter No. 47/31/97-CI-III dated 14th July, 1997, had conveyed the approval of the Central Government that the provisions contained in Section 212(1) of the Companies Act, 1956, relataing to attachment of Balance Sheet and Profit & Loss Accounts of the subsidiary for the financial year ending on 31.3.1997 shall not apply, subject to the conditions that as soon as the accounts of the subsidiary company are received, they shall be circulated to the shareholders of the IISCO.

As in the meanwhile the Hon'ble High Court has by its order of 10.7.1997 directed winding up of the subsidiary company, the erstwhile Board of Directors and Secretary, as well as the employees of the subsidiary company (in Liquidation) have ceased to hold any office or employment with effect from the said date, i.e. 10.7.1997.

In the event, if accounts of subsidiary are not received because of its winding up, the Central Government, Department of Company Affairs, would be approached for necessary directions and on receipt of reply of the Central Government necessary action would be taken, and the shareholders of IISCO would be informed accordingly.

AUDITORS' REPORT

Replies of the Board of Directors to the observations made in the Report of the Statutory Auditors on the Accounts are enclosed at Annexure - I. Review of accounts by the Comptroller and Auditor General of India is enclosed at Annexure - II.

COST AUDIT

Cost Auditor has been appointed to conduct audit of cost accounts in respect of chemical for the year ended 31st March, 1997.

Report on Conservation of Energy, Technology Absorption etc.

Information in accordance with provisions of Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given in Annexure - III to this Report.

Particulars of Employees

There was no employee of the Company who received remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended up-to-date.

DIRECTORS

Shri Naresh Narad, Shri M.K. Moitra and Shri A.K. Singh have been appointed Additional Directors with effect from 11th March, 1997. Dr. B.N. Singh and Shri G.S. Garcha have been appointed Additional Directors with effect from 17th July, 1997.

Shri M.R.R. Nair resigned on 30th November,1996 consequent upon his relinquishment of the Charge of Chairman, SAIL. The Board had placed on record its deep and sincere appreciation of the valuable services rendered by Shri Nair.

Shri P.N. Singh, Shri Anil Kumar and Shri A.K. Singh resigned with effect from 30th November,1996, 31st January,1997 and 23rd June,1997 respectively. The Board has placed on record its appreciation of the valuable services rendered by Shri P.N.Singh, Shri Anil Kumar and Shri A.K.Singh.

Shri V.S. Jain and Prof. S.K. Chakraborty retire by rotation and are eligible for appointment as Directors.

As Additional Directors, Shri Naresh Narad, Shri M.K. Moitra, Dr. B.N. Singh and Shri G.S. Garcha hold office upto the Annual General Meeting for the year 1997 and are eligible for appointment as Directors. Notice has been received from a Member under Section 257 of the Companies Act, 1956 proposing election of Shri Naresh Narad, Shri M.K. Moitra, Dr. B.N. Singh and Shri G.S. Garcha as Directors.

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the services rendered and co-operation extended by the employees at all levels and hope that they will continue to contribute their best to the continuous efforts of the Management for optimising the resources and improving the operations of the Company. The Directors whole-heartedly thank the State Government Agencies, Financial Institutions, Bankers, Suppliers, Customers and Auditors for their co-operation, assistance and patronage. The Directors also wish to acknowledge the continuous support and guidance received from Steel Authority of India Ltd., Government of West Bengal and the different Departments of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the
Board of Directors

Sd/-	Sd/-
(V. S. JAIN)	**(S. C. K. PATNE)**
Director	*Managing Director*

Place : New Delhi
Date : 1st August, 1997

SIGNIFICANT ACCOUNTING POLICIES

1.1 Revenue Recognition

1.1.1 Income is not reckoned unless there is a reasonable certainty of the amount and its collectability.

1.1.2 Sale is recognised on despatch of goods from the Plants/Units based on receipts of Railway / other carriers.Sales include excise duty and other sales related charges recovered from the customers excluding freight(if billed separately) and sales tax.

1.1.3 Sale of materials by auction is recognised on the basis of quantities auctioned during the year and deliveries made up-to 30th April, 1997.

1.1.4 Escalation Claims wherever applicable are recognised as per Sales contracts based on despatches made to the customers.

1.2 Retirement Benefits

1.2.1 Gratuity

Gratuity liability for the period prior to 01.04.88 is accounted for as and when paid/crystallized.Liability for the subsequent period is recognised on the basis of actuarial valuation.

1.2.2 Leave Encashment

Liability for leave accruals for the current Year is recognised on actuarial basis.Leave accruals up-to 31st March, 1995 as ascertained actuarially is spread over the average of remaining service period of the employees.

1.3 Deferred Revenue Expenditure

i) Expenditure under voluntary retirement scheme (other than voluntary retirement cases disbursed against Grants-in-Aid received from National Renewal Fund) is treated as Deferred Revenue Expenditure.

ii) Charges of outside agencies for prospecting and development of iron ore mines are also treated as Deferred Revenue Expenditure.

The above expenditures are written off in five Years.

1.4 Overburden Removal in Collieries

Expenses on removal of overburden in collieries is treated as revenue.

1.5 Adjustments pertaining to earlier years and Prepaid Expenses

Income/expenditure relating to earlier years (including extra ordinary items/ prior period charges as defined in AS-5 of the Institute of Chartered Accountants ofIndia) and prepaid expenses which do not exceed Rs.50,000/- in each case are in general, treated as income/expenditure of the current year.

1.6 Foreign Currency Transactions

Foreign Currency assets including stores and equipment and liabilities as on the Balance Sheet date,are converted at the year end exchange rates and loss or gain arising thereon, is adjusted in the carrying amount of assets or charged to Profit & Loss Account, as the case may be. Deprecciation on such adjustments to fixed assets are adjusted prospectively.

1.7 Claims for Liquidated Damages/Escalations

i) Claims for liquidated damages against suppliers/contractors are crystalised and recognised when these are deducted from the relevant bills.

ii) Supplier's/Contractor's claims for price escalation are accounted for to the extent such claims are as per terms of the contract.

2.0 Fixed Assets

2.1 Fixed assets are stated at their historical cost less depreciation.

2.2 Interest on loan for Addition, Modification and Replacement schemes is capitalised.

2.3 Additions to Fixed Assets requiring installation and commissioning are reckoned on the basis of completion certificate furnished by the executing authority. Discarding of assets is recognised at the time they are reported.

2.4 Revamping,replacement andmodification of assets complete/partial as approved under Capital Schemes are added to fixed assets.Depreciation on such assets is charged prospectively at rates prescribed under Schedule XIV to the Companies Act.

2.5 Expenditure on development of land (including leasehold land) is capitalised as cost of land. Land includes mining rights and those awaiting conveyance deed.

2.6 Where actual cost of Fixed Assets cannot be accurately ascertained, such assets are initially capitalised on the basis of estimated cost and adjustments for cost and depreciation are recognised on ascertainment of actual cost retrospectively.

2.7 The Company's contribution/expenditure towards construction/development of assets on land owned by others and leasehold land is capitalised under suitable asset accounts.

2.8 Phased out plants along with related stores and spares are accounted for separately and shown under the head "Inventories" after making provisions as deemed necessary.

2.9 Capitalisation out of inter unit transfers is made at transfer prices and the related difference between transfer prices and cost is not quantified and adjusted in the Accounts.

3.0 Depreciation

3.1 Depreciation on all assets (other than motor cars and vehicles) is provided for at SLM and on motor cars and vehicles at WDV as per Schedule XIV to the Companies Act, 1956.

3.2 Depreciation on lease hold building is provided based on the lease period.

3.3 Cost of acquiring mining rights is amortised over the lease period.

3.4 The classification of Plant and Machinary into continuous and non-continuous has been made on the basis of technical opinion and depreciation thereon is provided accordingly.

4.0 Investments

4.1 Investments held/intended to be held for a period exceeding one year are classified as long term investment, while other investments are classified as current investments.

4.2 Long term investment and unquoted investments are carried in the financial statements at cost. Provisionsfor diminution is made to recognise a decline, other than temporary, in the value of such investments. The diminution in value is determined and provision made for each investment individualy. Current quoted investment are valued at lower of cost or market value on individual investment basis.

5.0 Inventories

5.1 Raw Materials (other than captive products) are valued at cost.

5.2 Captive products are valued at lower of cost or realisable value. Such products including scrap, where used as raw materials or stores & spares, are valued at lower of cost or transfer price where realisable value cannot be ascertained.

5.3 Stock of Chasnalla quarry coal and slurry captive product is ascertained after considering stone content and water content at 20% and 25% respectively.

5.4 Stock of middlings is valued at Government Notified 'D' grade Coal Price.

5.5 Stores & spares are valued at average cost. However, in the case of stores and spares declared surplus and those not moving for more than five years, provision is made at 75% and 10% of book value respectively and charged to revenue.

5.6 Semi-finished/finished products, other than ingots are valued at lower of cost or net realisable value. Ingots meant for rolling in the plant are valued at cost.Cost being average cost excluding interest is reckoned either annual or specified period as the case may be.In case of Burnpur Works, Iron & Steel scraps are valued at predetermined percentages of the previous years' realisable value of Pig Iron. Hot Metal stock in the process, is not considered in accounts.

5.7 In the case of In-process materials which have a realisable value at the finished stage only, the realisable value is arrived at by applying the ratio of finished products' realisable value and its cost upto the stage of the relevant process.

5.8 Stock of medicines are valued at cost.

6.0 Contingent Liability

6.1 Contingent liabilities, barring frivolous claims, are disclosed.

7.0 Grants-in-Aid

7.1 Grant-in-Aid received from Government of India out of National Renewal Fund is included under 'Current Liabilities'out of which voluntary retirement payments are made. In the financial Statement such undisbursed grants are shown under the head "Current Liabilities" / and unspent balance is kept in a separate Bank Account. Both Receipts of Grants and Disbursements therefrom are not recognised under revenue.

7.2 Grants-in-aid received against cost of fixed assets are credited to "Capital Reserve" and proportionate depreciation thereon, is transfered to Profit & Loss A/C from capital reserve over the life of the assets.

7.3 Stowing subsidy received at collieries are credited to Profit and Loss Account.

8.0 General

8.1 Additional cost, due to inflation, for replenishing the commodity received on loan is accounted for in the year of return.

8.2 Customs duty on goods at Bonded Warehouses or lying at the Ports is accounted for at the time goods are cleared.

For and on behalf of the Board of Directors

Sd/-	Sd/-	Sd/-
(A.K. Mukherjee)	**(V.S. Jain)**	**(S.C.K. Patne)**
Secretary	*Director*	*Managing Director*

BALANCE SHEET

AS AT 31ST MARCH, 1997

	Schedule No.		As at 31st March, 1997		As at 31 March, 1996
					(Rupees in lakhs)
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1.1	38766.58		38766.58	
Reserves and Surplus	1.2	450.20	39216.78	453.57	39220.15
Loan Funds					
Secured Loans	1.3	10507.05		9379.84	
Unsecured Loans	1.4	116212.72	126719.77	97163.57	106543.41
			165936.55		145763.56
APPLICATION OF FUNDS					
Fixed Assets	1.5				
Gross Block		72186.78		69808.40	
Less: Depreciation		42017.12		39294.28	
Net Block		30169.66		30514.12	
Capital Work-in-Progress	1.6	30819.68	60989.34	28420.06	58934.18
Investments	1.7		308.68		308.68
Current Assets, Loans & Advances					
Inventories	1.8	29296.58		23341.18	
Sundry Debtors	1.9	37683.96		33624.25	
Cash & Bank Balances	1.10	2900.21		1554.56	
Interest Receivable/Accrued	1.11	36.71		35.47	
Loans & Advances					
Subsidiary Companies	1.12	193.14		174.10	
Others	1.13	5684.84		6922.89	
		75795.44		65652.45	
Less: **Current Liabilities & Provisions**					
Current Liabilities	1.14	77410.18		65463.39	
Provisions	1.15	9927.01		8638.35	
		87337.19		74101.74	
Net Current Assets			-11541.75		-8449.29
Miscellaneous Expenditure (to the extent not written off or adjusted)	1.16		74.80		168.09
Profit & Loss Account			116105.48		94801.90
			165936.55		145763.56
Notes on Accounts	3				

Schedules 1 to 3 and Accounting Policies annexed form part of the Accounts

In terms of our report of even date

For and on behalf of
M/S R. Singhi & Co.
Chartered Accountants

For and on behalf of
M/S M. Chatterjee & Co.
Chartered Accountants

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
(L.N. Dey)	**(P.K. Mookherjee)**	**(A.K. Mukherjee)**	**(V.S. Jain)**	**(S.C.K. Patne)**
Partner	*Partner*	*Secretary*	*Director*	*Managing Director*

Place: Calcutta
Dated: 18th July, 1997

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1997

	Schedule No.	Year ended 31st March, 1997	Year ended 31 March, 1996
			(Rupees in lakhs)
INCOME			
Sales	2.1	95872.81	103854.26
Finished products internally consumed		581.25	584.13
Accretion/Depletion(-) to stock of semi/finished products	2.2	6330.47	-1541.47
Interest earned	2.3	74.11	48.12
Other revenues	2.4	905.01	939.85
Provision no longer required written back	2.5	1075.61	509.19
		104839.26	104394.08
EXPENDITURE			
Raw materials consumed	2.6	56958.05	53132.89
Purchase of semi/finished products		62.34	2002.73
Employees Remuneration & Benefits	2.7	29373.48	31826.64
Stores & Spares Consumed		11410.67	10665.93
Power & Fuel	2.8	9080.34	6618.38
Repairs & Maintenance	2.9	3247.94	2274.88
Excise duty		11128.38	8652.71
Freight outward		2721.81	2569.37
Other Expenses & Provisions	2.10	11458.60	10197.98
Interest	2.11	12691.13	1020.52
Depreciation		2557.59	2343.78
Total		150690.33	131305.81
Less: Transferred to Inter Account Adjustments	2.12	23618.35	21845.30
Net Expenditure		127071.98	109460.51
Loss(-) for the year		-22232.72	-5066.43
Adjustments pertaining to earlier years	2.13	929.14	161.80
Net Loss(-)		-21303.58	-4904.63
Loss(-) brought Forward from previous year		-94801.90	-89897.27
Balance carried over to BalanceSheet		-116105.48	-94801.90

Notes on Accounts 3

Schedules 1 to 3 and Accounting Policies annexed form part of the Accounts

In terms of our report of even date

For and on behalf of M/S R. Singhi & Co. *Chartered Accountants*

For and on behalf of M/S M. Chatterjee & Co. *Chartered Accountants*

For and on behalf of Board of Directors

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
(L.N. Dey)	**(P.K. Mookherjee)**	**(A.K. Mukherjee)**	**(V.S. Jain)**	**(S.C.K. Patne)**
Partner	*Partner*	*Secretary*	*Director*	*Managing Director*

Place: Calcutta
Dated: 18th July, 1997

SCHEDULES

1.1 SHARE CAPITAL

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Authorised				
54,70,00,000 Equity Shares of Rs.10/- each	54700.00		54700.00	
3,00,000 5% Cumulative preference shares of Rs.100/- each	300.00	55000.00	300.00	55000.00
Issued,Subscribed & Paid-up				
36,94,84,257 Equity Shares (Previous year 36,94,84,257 shares) of Rs.10/- each fully paid up in cash	36948.43		36948.43	
1,81,81,500 Equity shares of Rs.10/-each fully paid up for consideration other than cash (including 1,24,40,899 and 20,73,483 fully paid Bonus Shares allotted by Capitalisation of General Reserves and from Share premium respectively	1818.15	38766.58	1818.15	38766.58
		38766.58		38766.58

1.2 RESERVES & SURPLUS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Capital Reserve				
Balance as per last Balance Sheet	418.04		421.41	
Less: Adjustment during the year	3.37	414.67	3.37	418.04
Share Premium Account		35.53		35.53
		450.20		453.57

1.3 SECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Consortium Loan for plant rehabilitation Loan from Consortium (Consisting of Industrial Development Bank of India, State Bank of India, United Bank of India, Allahabad Bank, Central Bank of India, ANZ Grindlays Bank, Industrial Finance Corporation of India Ltd., Industrial Credit & Investment Corporation of India Limited and Life Insurance Corporation of India) secured by First Mortgage of the properties and undertakings of the Company together with a floating charge on the whole of the undertakings and assets ranking pari-passu interse of the Consortium Members				
Amount Drawn	4094.87		4094.87	
Add: Interest Accrued and due	2470.94	6565.81	2136.64	6231.51
Bank Overdraft				
State Bank of India (Secured by hypothecation of Raw Materials Finished Goods and Book Debts ranking prior to the aforesaid mortgage; including Working Capital demand loan of Rs.3155.72 lakhs; (Previous year Rs.1216.88 lakhs)		3941.24		3148.33
		10507.05		9379.84

1.4 UNSECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Steel Development Fund		4468.00		4468.00
SAIL (Holding Company)				
O.E.C.F Loan	6638.65		6638.65	
Interest Accrued and Due	11695.59		9594.46	
Others (includes interest free loan of Rs.15000 lakhs received from Govt.of India through SAIL; Previous year Rs.15000 lakhs)	81474.39		75984.25	
Interest Accrued and Due on SAIL Loan	11715.84	111524.47	273.96	92491.32
Others				
Public deposit	0.25		0.25	
Unit Trust of India	100.00		100.00	
Interest Accrued and Due	120.00	220.25	104.00	204.25
		116212.72		97163.57

1.5 FIXED ASSETS

GROSS BLOCK				
Description	As at 31 March, 1996	Additions during the year	Sales & Adjustment (net)	As at 31st March, 1997
				(Rupees in lakhs)
A. PLANTS, MINES, OTHERS				
Land (including cost of development)	364.20	30.87	0.43	394.64
Railway Lines & Sidings	470.54	0.19	0.00	470.73
Roads, Bridges & Culverts	395.25	0.00	0.00	395.25
Buildings	2871.01	4.55	0.00	2875.56
Plant & Machinery				
— Steel Plant (including Coal Washeries)	44501.98	1870.12	-295.15*	46667.25
— Others	7725.42	95.69	-455.77	8276.88
Furniture & Fittings	232.46	0.95	0.00	233.41
Vehicles	4391.48	12.50	4.56	4399.42
Water Supply & Sewerage	498.86	0.00	0.00	498.86
EDP Equipments	272.93	67.65	0.00	340.58
Miscellaneous Articles	1112.70	9.72	627.69	494.73
Total A	62836.83	2092.24	-118.24	65047.31
Figures for the previous year	57495.42	5291.22	-50.19	62836.83
B. SOCIAL FACILITIES				
Land(including cost of development)	20.29	0.00	0.00	20.29
Roads,Bridges & Culverts	200.07	-1.14	0.00	198.93
Buildings	4553.06	-4.53	0.00	4548.53
Plant & Machinery	728.87	81.51	0.29	810.09
Furniture & Fittings	114.81	6.93	0.06	121.68
Vehicles	148.96	7.59	1.23	155.32
Water Supply & Sewerage	803.46	70.71	0.00	874.17
EDP Equipments	0.82	0.00	0.00	0.82
Miscellaneous Articles	401.23	8.57	0.16	409.64
Total B	6971.57	169.64	1.74	7139.47
Figures for the previous year	6874.35	98.04	0.82	6971.57
Total (A+B)	69808.40	2261.88	-116.50	72186.78
Figures for the previous year	64369.77	5389.26	-49.37	69808.40

*Refer Note 10 Schedule-3.

1.5 FIXED ASSETS (Contd.)

Description	DEPRECIATION Up to 31st March, 1996	During the year	On Sales & Adjustment (net)	As at 31st March, 1997	NET BLOCK As at 31st March, 1997	As at 31st March, 1996
						(Rupees in lakhs)
A. PLANTS, MINES, OTHERS						
Land (including cost of development)	20.84	0.00	0.00	**20.84**	**373.80**	343.37
Railway Lines & Sidings	279.97	11.76	0.00	**291.73**	**179.00**	190.58
Roads, Bridges & Culverts	130.57	8.47	0.00	**139.04**	**256.21**	264.67
Buildings	1430.61	61.52	0.01	**1492.12**	**1383.44**	1440.38
Plant & Machinery						
— Steel Plant (including Coal Washeries)	28007.57	1512.74	-246.11	**29766.42**	**16900.83**	16494.42
— Others	4594.37	444.25	-0.85	**5039.47**	**3237.41**	3131.05
Furniture & Fittings	134.31	10.14	0.00	**144.45**	**88.96**	98.15
Vehicles	2573.40	228.84	4.41	**2797.83**	**1601.59**	1818.09
Water Supply & Sewerage	203.90	11.86	0.00	**215.76**	**283.10**	294.96
EDP Equipments	112.58	45.27	0.00	**157.85**	**182.73**	160.35
Miscellaneous Articles	226.45	44.99	93.57	**177.87**	**316.86**	886.26
Total A	37714.57	2379.84	-148.97	**40243.38**	**24803.93**	25122.28
Figures for the previous year	35435.95	2224.89	-53.70	**37714.57**	**25122.26**	
B. SOCIAL FACILITIES						
Land(including cost of development)	0.04	0.00	0.00	**0.04**	**20.26**	20.26
Roads,Bridges & Culverts	24.25	3.33	0.00	**27.58**	**171.35**	175.82
Buildings	712.74	78.29	0.00	**791.03**	**3757.50**	3840.32
Plant & Machinery	198.13	47.16	0.02	**245.27**	**564.81**	530.76
Furniture & Fittings	46.95	6.22	0.04	**53.13**	**68.55**	67.83
Vehicles	122.78	5.26	1.19	**126.85**	**28.47**	26.16
Water Supply & Sewerage	324.27	32.27	0.00	**356.54**	**517.63**	479.19
EDP Equipments	0.53	0.13	0.00	**0.66**	**0.16**	0.29
Miscellaneous Articles	150.02	22.63	0.01	**172.64**	**237.00**	251.21
Total B	1579.71	195.29	1.26	**1773.74**	**5365.73**	5391.84
Figures for the previous year	1399.53	180.55	0.37	**1579.71**	**5391.86**	
Total (A+B)	39294.28	2575.13	-147.71	**42017.12**	**30169.66**	30514.12
Figures for the previous year	36835.51	2405.44	-53.33	**39294.28**	**30514.12**	

NOTE: ALLOCATION OF DEPRECIATION	**Current Year**	Previous Year
(a) Charged to Profit & Loss Account	**2557.59**	2343.78
(b) Charged to expenditure during construction	**0.00**	28.12
(c) Debited(+)/Credited(-) to adjustments pertaining to earlier years	**17.54**	33.54
TOTAL	**2575.13**	2405.44

1.6 CAPITAL WORK-IN-PROGRESS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Expenditure during construction awaiting allocation (Schedule 1.6.1)		**941.72**		919.76
Work-in-progress				
Steel Plants				
& Coal Washeries	**29306.85**		26831.63	
Less:Provision	**100.61**	**29206.24**	100.61	26731.02
Township		**322.41**		451.41
Construction Stores and Spares	**32.11**		32.11	
Less: Provision	**32.11**	**0.00**	32.11	0.00
Advances	**422.77**		426.24	
Less: Provisions	**73.46**	**349.31**	108.37	317.87
Stock Suspense*	**234.25**		234.25	
Less:Provision	**234.25**	**0.00**	234.25	0.00
		30819.68		28420.06
Particulars of advances				
Unsecured, Considered Good		**349.31**		317.87
Unsecured, Considered Doubtful		**73.46**		108.37
		422.77		426.24

* *Include Rs.234.25 lakhs earmarked for low cost housing scheme (Against Capital Reserve)*

1.6.1 EXPENDITURE DURING CONSTRUCTION

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Opening balance awaiting allocation(a)		**919.76**		886.42
Expenditure incurred during the year				
Employees' Remuneration & Benefits				
Salaries & Wages	**184.52**		221.43	
Annual Bonus	**0.00**		0.31	
Company's contribution to Provident Fund and other Funds	**17.05**		21.39	
Travel Concession	**6.70**		14.90	
Gratuity	**6.85**	**215.12**	4.56	262.59
Technical Consultants' fees & know-how		**22.86**		55.55
Interest		**2079.55**		2219.95
Depreciation		**0.00**		28.12
		2317.53		2566.21
Less: Income				
Interest Earned	**0.00**		0.01	
Liquidated Damages	**0.00**		66.59	
Hire Charges	**0.91**		0.45	
Sundries	**0.00**	**0.91**	0.25	67.30
Net expenditure during the year (b)		**2316.62**		2498.91
Total (a)+(b)		**3236.38**		3385.33
Amount allocated to Fixed Assets				
Capital Work-in-Progress		**2294.66**		2465.57
Balance awaiting allocation		**941.72**		919.76
		3236.38		3385.33

SCHEDULES

1.7 INVESTMENT (LONG-TERM)

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Government Securities				
Government Securities (after deducting provision Rs. 5.30 lakhs) lodged with different authorities		0.15		0.15
Trade Investments (Unquoted)				
7500 Equity Shares of Rs.10/- each fully paid up in South India Export Co. (P) Limited	0.75		0.75	
130 7% Preference Shares of Rs. 100/- each fully paid-up in India Standard Wagon Co. Ltd. (Less Provision Rs.0.17 lakhs)	0.00		0.00	
1433 Equity Shares of Rs.100/- each fully paid up in the Hooghly Docking & Engg Co. Ltd. (Less provision)	0.00		0.00	
33604 Equity Shares of Rs.10/- each fully paid up in Satna Stone Lime Company Limited	3.20	3.95	3.20	3.95
Quoted				
57200 Equity Shares of Rs.10/- each fully paid-up (including 11400 Nos. Bonus Shares) in Industrial Credit & Investment Corporation of India Ltd.		4.58		4.58
Other Investments				
Subsidiary Companies (wholly owned)				
30,00,000 Equity Shares of Rs.10/- each fully paid-up in IISCO Ujjain Pipe & Foundry Company Limited		300.00		300.00
Others				
500 Equity Shares of Rs.100/- each fully paid-up in Bihar State Financial Corporation.	0.50		0.50	
Less: Provision	0.50	—	0.50	—
400 Equity Shares of Rs. 25/- each fully paid up in the Barajamda Iron Ore Mines Workers' Central Co-operative Stores Limited	0.10		0.10	
Less: Provision	0.10	—	0.10	—
23,000 'B' Class Shares of Rs.20/- each fully paid-up in IISCO Employees' Primary Co-operative Stores Ltd.	4.60		4.60	
Less: Provision	4.60	—	4.60	—
		308.68		308.68
Total Quoted Investments		4.58		4.58
Total Unquoted Investments		304.10		304.10
		308.68		308.68
Market Value of Total Quoted Investments		32.32		53.77

1.8 INVENTORIES
(As taken & certified by Management)

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Stores & spares	9912.97		9936.66	
Add: In-transit	341.55		469.05	
	10254.52		10405.71	
Less: Provision	2597.94	7656.58	2171.33	8234.38
Raw materials	3524.87		2653.51	
Add: In-transit	498.01		1179.24	
	4022.88		3832.75	
Less: Provision	83.50	3939.38	95.38	3737.37
Others		136.71		151.64
At book or assessed or realisable value whichever is lower:				
Salvaged/Scrapped/Phased out fixed assets (net book value)	527.78		569.31	
Less: Provision	455.87	71.91	487.61	81.70
Semi/finished products	17255.22		8686.14	
Add: In transit	288.11		2497.94	
	17543.33		11184.08	
Less: Provision	51.33	17492.00	47.99	11136.09
		29296.58		23341.18

1.9 SUNDRY DEBTORS

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Debts over six months	27297.40	19828.46
Other Debts	12298.66	15369.94
	39596.06	35198.40
Less: Provision for Doubtful Debts	1912.10	1574.15
	37683.96	33624.25
Particulars		
Unsecured, considered good	37683.96	33624.25
Unsecured, considered doubtful	1912.10	1574.15
	39596.06	35198.40

Sundry Debtors (due over six months) includes Rs. 188.48 lakhs, due from subsidiary-IISCO UJJAIN PIPES & FOUNDRY CO. LTD. (Previous year Rs. 198.48 lakhs)

1.10 CASH & BANK BALANCES

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Cash on hand	105.68	150.28
Cheques on hand	0.00	1.58
With Scheduled Banks		
On current account	2529.66	1298.68
[*includes balance with Lloyds Bank Ltd. (Rs.0.06 lakhs) & Midland Bank Ltd. (Rs.0.07 lakhs) London (maximum balance same)]		
Term deposits	30.88	29.21
Margin money	2.15	1.27
Remittances-in-transit	231.84	73.54
	2900.21	1554.56

* *Converted at the official exchange rate as on 31.03.97*

1.11 INTEREST RECEIVABLE/ACCRUED

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Investments	5.26	3.34
Employees	33.38	34.06
	38.64	37.40
Less: Provision for doubtful interest	1.93	1.93
	36.71	35.47

1.12 LOANS AND ADVANCES TO SUBSIDIARY COMPANIES

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Loans	198.14	179.10
Less: Provisions	5.00	5.00
	193.14	174.10
Particulars		
Unsecured, considered good	193.14	174.10
Unsecured, considered doubtful	5.00	5.00
	198.14	179.10

1.13 LOANS & ADVANCES — OTHERS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Loans				
Employees	**70.25**		99.94	
Stores issued	**23.39**		31.27	
Others	**0.05**	**93.69**	0.05	131.26
Advances recoverable in cash or in kind or for value to be received				
Claims recoverable	**3093.47**		3273.67	
Contractors & Suppliers	**3242.57**		4182.63	
Employees	**313.88**		371.75	
Tax deducted at source	**20.87**		14.84	
Bills Receivable	**9.62**		9.62	
Others	**314.28**	**6994.69**	818.73	8671.24
Deposits				
Port trust, excise department, Railways etc.	**572.57**		455.02	
Others	**162.11**	**734.68**	186.91	641.93
		7823.06		9444.43
Less: Provision for doubtful Loans & Advances		**2138.22**		2521.54
		5684.84		6922.89
Particulars of Loans & Advances — Others				
Unsecured, considered good		5684.84		6922.89
Unsecured, considered doubtful		2138.22		2521.54
		7823.06		9444.43

1.14 CURRENT LIABILITIES

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Sundry creditors				
Capital works (Includes Rs.170.30 lakhs towards interest on loan received from SAIL; Previous year Rs.191.87 lakhs)	**994.67**		1145.15	
Others (Including Rs.183.28 lakhs to subsidiary company; Previous year Rs.184.83 lakhs)	**23571.98**	**24566.65**	19041.05	20186.20
Advances from				
Customers	**4086.70**		4035.99	
Others	**357.81**	**4444.51**	671.22	4707.21
Security deposits	**750.76**		626.55	
Less: Investment received as security deposit	**4.80**	**745.96**	4.80	621.75
Interest accrued but not due on Consortium Loans	**42.60**	**42.60**	42.60	42.60
Stores received on loan		**26.81**		879.42
Other Liabilities		**23734.22**		20124.16
Commodity Loan from Holding Company		**23849.43**		18902.05
		77410.18		65463.39

1.15 PROVISIONS

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Gratuity	**8733.29**	7937.16
Others	**1193.72**	701.19
	9927.01	8638.35

1.16 MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

	Balance as at 31st March, 1996	Additions during the year	Total	Amount Charged Off/ Transferred during the year	**Balance as at 31st March, 1997**
					(Rupees in lakhs)
(i) Development Expenditure					
(a) On Mines	103.30	0.13	103.43	32.42	**71.01**
Total (i)	103.30	0.13	103.43	32.42	**71.01**
(ii) Deferred Revenue Expenditure					
(a) Voluntary Retirement Compensation	64.79	0.00	64.79	61.00	**3.79**
Total (ii)	64.79	0.00	64.79	61.00	**3.79**
Total (i+ii)	168.09	0.13	168.22	93.42	**74.80**
Previous year	361.25	23.79	385.04	216.95	**168.09**

	Current Year	Previous Year
Charged Off to:		
Other Expenses & Provisions	**93.42**	216.95
	93.42	216.95

SCHEDULES

2.1 SALES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Direct	**59880.53**	64852.69
From stockyards	**35937.63**	38842.18
Exports	**54.65**	144.88
Others	**0.00**	14.51
	95872.81	103854.26

2.2 ACCRETION/DEPLETION (—) TO STOCK OF SEMI/FINISHED PRODUCTS

		Year ended 31st March, 1997		Year ended 31st March, 1996
				(Rupees in lakhs)
Opening stock	**11184.08**		12636.49	
Adj: Missing wagons	**28.78**	**11212.86**	89.06	12725.55
Less: Closing stock		**17543.33**		11184.08
Accretion/Depletion(-) to stock		**6330.47**		-1541.47

2.3 INTEREST EARNED

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Customers	**63.25**	36.86
Employees	**7.27**	9.56
Term Deposits	**3.59**	1.70
	74.11	48.12

2.4 OTHER REVENUES

		Year ended 31st March, 1997		Year ended 31st March, 1996
				(Rupees in lakhs)
Social amenities-recoveries		**302.42**		445.32
Sale of empties etc.		**34.38**		8.11
Liquidated damages		**28.45**		21.30
Service charges		**36.65**		51.94
Subsidy				
Export	**0.00**		13.45	
Others	**186.15**	**186.15**	150.10	163.55
Hire charges etc.		**0.60**		1.12
Claims for finished products (Shortages & missing wagons)		**1.15**		29.18
Dividend (gross) from trade investments (Tax deducted at source Rs.0.51 lakhs; Previous year Rs.0.52 lakhs)		**2.19**		2.08
Profit on sale of fixed assets		**5.40**		1.49
Sundries		**307.62**		215.76
		905.01		939.85

2.5 PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Loans & advances	**418.48**	91.31
Sundry debtors	**87.61**	156.65
Stores & spares	**0.09**	0.00
Others	**569.43**	261.23
	1075.61	509.19

2.6 RAW MATERIALS CONSUMED

	Year ended 31st March, 1997		Year ended 31 March, 1996	
	Quantity	Value	Quantity	Value
	Tonnes	Rs./lakhs	Tonnes	Rs./lakhs
Iron ore	**1466819.08**	**6104.37**	1532042.67	5552.52
Coal	**1891477.14**	**33824.01**	2147600.28	30924.92
Coke	**23512.66**	**711.75**	26220.73	701.67
Limestone	**245848.03**	**1766.41**	242404.77	1713.90
Dolomite	**201356.33**	**931.82**	202308.16	874.99
Steel Scrap	**26223.02**	**1275.20**	37550.07	1704.32
Nickel	**6.19**	**22.76**	4.14	15.10
Ferro Manganese	**5890.32**	**1263.36**	5542.41	1029.66
Ferro Silicon	**1252.24**	**414.12**	1329.09	393.94
Pig Iron	**72217.65**	**5478.85**	86798.98	5750.23
Purchased semis	**53582.39**	**4147.89**	31137.00	3340.83
Ferro Molybdenum	**4.14**	**15.04**	3.97	22.17
Ferro Chrome	**0.00**	**0.00**	0.00	1.10
Other Ferrous Metals	**0.00**	**2.24**	0.00	36.87
Tin	**11.02**	**34.47**	9.98	31.55
Others		**965.76**		1039.12
		56958.05		53132.89

NOTE: Consumption of raw materials includes shortages Rs. 577.35 lakhs (Previous year Rs. 374.19 lakhs) to the extent not covered by normal handling losses which are under investigation and excess to the extent of Rs.232.67 lakhs. (Previous year Rs.850.70 lakhs)

2.7 EMPLOYEES' REMUNERATION & BENEFITS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Salaries & wages	**22478.90**	22477.65
Annual bonus	**143.45**	148.27
Company's contribution to provident fund & other funds	**2294.88**	3007.04
Travel concession	**975.75**	1507.59
Welfare expenses	**1468.06**	1711.70
Gratuity	**2012.44**	2974.39
Charged to Profit & Loss Account (a)	**29373.48**	31826.64
Expenditure on Employees' Remuneration and Benefits not included above and charged to:		
Expenditure During Construction (b)	**215.12**	262.59
Total (a)+(b)	**29588.60**	32089.23

2.8 POWER & FUEL

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Purchased power	**5293.61**	4430.41
Duty on own generation	**51.31**	43.14
Boiler Coal/Middlings	**3564.48**	1985.35
Furnace Oil/LSHS/LDO	**0.33**	1.61
Others	**170.61**	157.87
Charged to Profit & Loss Account	**9080.34**	6618.38

2.9 REPAIRS & MAINTENANCE

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in lakhs)
Buildings		**289.59**	234.61
Plant & Machinery		**2553.11**	1578.98
Others		**405.24**	461.29
Charged to Profit & Loss Account	(a)	**3247.94**	2274.88
Expenditure on repairs & maintenance not included above and charged to:			
Employee Remuneration & Benefits			
Buildings		**661.48**	632.09
Plant & Machinery		**3656.65**	3458.91
Others		**607.32**	580.37
	(b)	**4925.45**	4671.37
Stores & Spares			
Buildings		**228.15**	194.42
Plant & Machinery		**2830.89**	2384.69
Others		**34.61**	29.91
	(c)	**3093.65**	2609.02
Total (a)+(b)+(c)		**11267.04**	9555.27

2.10 OTHER EXPENSES AND PROVISIONS

		Year ended 31st March, 1997		Year ended 31st March, 1996
				(Rupees in lakhs)
Bank charges		**70.73**		97.23
Commission to selling agents		**72.50**		53.81
Demurrage & wharfage		**44.66**		112.49
Directors' Fees		**0.01**		0.11
Expenses connected with Imports		**2.55**		1.69
Export sales expenses		**0.04**		0.84
Handling and scrap recovery — Contractors		**4822.48**		3539.40
Insurance		**38.09**		41.66
Law charges		**20.60**		20.53
Postage,telegram & telephone		**113.15**		136.71
Printing & stationery		**80.45**		83.81
Provisions				
Doubtful debts, loans and advances and accrued interest	**482.65**		529.49	
Sundries	**825.06**	**1307.71**	353.59	883.08
Rates & Taxes		**81.41**		82.42
Remuneration to Auditors				
Audit fees	**2.00**		1.80	
Tax Audit fees	**0.50**		0.45	
Out of pocket expenses	**1.58**		0.99	
In other capacities	**0.01**		0.01	
Cost Audit Fees	**0.12**	**4.21**	0.14	3.39
Rent		**43.33**		29.73
Royalty		**1858.18**		1860.02
Security expenses-CISF/Other agencies		**809.02**		691.92
Travelling expenses		**602.28**		625.74
Write Offs				
Miscellaneous & Deferred Revenue Expenditure	**93.42**		216.95	
Sundry debtors	**0.01**		0.00	
Loans and Advances	**309.73**	**403.16**	0.00	216.94
Training expenses		**10.48**		66.20
Conversion Charges		**166.81**		279.12
Water Charges		**13.88**		13.33
Sundries(include Donation Rs.3.68 lakhs;Previous year Rs.7.92 lakhs)		**892.87**		1357.81
		11458.60		10197.98

2.11 INTEREST

		Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in lakhs)
Bank loans-cash credit		**716.84**	367.46
SAIL-Loan		**11367.85**	0.00
Others (IncludesInterest on Term Loan Rs.565.31 lacs, Previous year Rs.556.30 lacs)		**606.44**	653.06
Charged to Profit & Loss Account	(a)	**12691.13**	1020.52
Expenditure on interest not included above & charged to:			
Expenditure During Construction Others		**2079.55**	2219.95
	(b)	**2079.55**	2219.95
Total (a)+(b)		**14770.68**	3240.47

2.12 INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Raw materials	**19690.19**	18480.56
Departmentally manufactured stores	**-14.04**	22.55
Coke subsidy to Employees	**393.58**	475.56
Inter plant transfer of stocks/stores	**3414.41**	2914.43
Others(Net)	**134.21**	-47.80
	23618.35	21845.30

2.13 ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 1997		Year ended 31st March, 1996	
			(Rupees in lakhs)	
	Debit	**Credit**	Debit	Credit
Sales	**10.52**		102.34	
Accretion/Depletion to stock of semi/finished products				
Other revenues		**47.47**	8.92	
Raw materials consumed		**1387.96**	160.80	
Purchase of semi/ finished products	**20.00**			
Employees' remuneration & benefits	**359.48**		393.72	
Stores & spares consumed	**39.27**			66.97
Power & fuel	**3.36**			3.61
Repairs & Maintenance	**9.48**		7.84	
Excise duty				
Contribution to SDF & JPC Funds				
Freight Outward			3.96	
Other Expenses & Provisions	**29.79**		185.58	
Interest	**16.85**			
Depreciation	**17.54**		33.54	
Extra Ordinary Items:				
Cess	—	—	—	987.92
	506.29	**1435.43**	896.70	1058.50
Net Credit		**929.14**		161.80

SCHEDULE 3 : NOTES ON ACCOUNTS

1. General

1.1 Waiver of interest on loan

Interest of Rs. 357.44 lakhs (previous year Rs.357.44 lakhs) on SDF loan through SAIL/Directly, has been waived/deemed to have been waived for the year. Unlike earlier years SAIL, the holding company, has not waived interest during the year (previous year amount waived Rs.9828.14 lakhs) on loans given to the company.

1.2 Retirement Benefits

1.2.1 Gratuity

In terms of Accounting Policy No.1.2.1 provision for gratuity accrued but not due upto 31st March, 1988. of Rs. 1876.61 lakhs (previous year Rs. 2079.36 lakhs), as valued by management based on actuarial formula in respect of employees on the rolls as at 31st March, 1997 has not been made.

1.2.2 Leave Encashment

Leave encashment liability towards employees is provided on actuarial valuation for the accruals during the year amounting to Rs. 108.67 lakhs(Previous year Rs.383.82 lacs). Such liability upto 31st March 1995 amounting to Rs. 996.08 lakhs is being spread over the average future service period of the employees and accordingly a sum of Rs.71.40 lakhs has been charged to Profit & Loss Account.

1.2.3 Pension Scheme

In terms of an Ordinance for Employees Provident Fund and Miscellaneous Provision(Amendment) Ordinance 1995 for employees covered under Employees Family Pension Scheme, a new pension scheme has been made effective from 16th November 1995 and Rs.351.73 lakhs has been deposited with RPFC covering deductions for the period upto January-96 and from Oct'96 to Dec'96.However liabilities of Rs.366.48 lakhs has not been deposited in terms of injunction issued by the Hon'ble Calcutta High Court.

1.2.4 For the purpose of computation of actuarial liability for gratuity and leave encashment, actuaries have applied different discounting factor as a result liability as on 31st March,1997 stands reduced by Rs.4.83 crores and Rs.5.60 crores respectively and consequently charge for the year is lower by the like amount.

1.3 Consortium Loan

IDBI,UBI and CBI, three members of the consortium have filed separate suits for recovery of the entire secured loan along with interest and other dues.

1.4 Investment and others dues from IISCO Ujjain Pipe & Foundry Co. Ltd.

The company has equity investment aggregating to Rs. 300.00 lakhs (at cost) in its subsidiary company, IISCO Ujjain Pipe & Foundry Co. Ltd. as at 31st March 1997. An amount of Rs. 208.34 lakhs (Net) is also due from the subsidiary company (including a sum of Rs.16.00 lakhs paid for Security Expenses as per the winding-up order of BIFR).BIFR has directed winding up of the company during the year which has been subsequently upheld by the Appellate Authority of Industrial & Financial Reconstruction(AAIFR).

Based on independent Valuers' report obtained in 1994 & 1995 there is an indication that the company will be able to realise the value of its investment and other recoverables. Hence no provisions has been made in the Accounts.

1.5 Foreign Exchange Transaction

The amount of exchange loss / gain on foreign currency transaction from the date of occurence till the date of payment/accountal, has been charged to the respective natural heads of accounts as in the earlier years.The impact, if any, of such exchange variation on profitability is not ascertained.

1.6 Effects of Provisional comments of C.A.G.

Comments upon observations made by Comptroller & Auditor General of India during the course of Audit under Section 619(4) of the Companies Act,1956, the Accounts for the year ended 31st March, 1997 which were approved by the Board of Directors on 30th May, 1997 and reported upon by the Statutory Auditors on 31st May, 1997 have been revised. The effect of such revisions were as follows:-

		(Rs.in Lakhs)
a)	Increase in the loss for the year (net)	235.97
b)	Decrease in Inventories	69.50
c)	Decrease in Sundry Debtors	50.00
d)	Increase in Current Liabilities	96.47
e)	Decrease in Loans & Advances	20.00
f)	Suitable changes have also been made in Schedule no. 2.11 and item no.14 of Schedule no. 3 : Notes on Accounts.	

2. Commodity Loan from Holding Company

Balance relating to commodity Loan received from Holding Company aggregated to Rs.23849.43 lacs (Previous year Rs.18902.05 lacs) as at 31st March, 1997.The present value thereof is higher by Rs. 7161.26 lakhs (Previous year Rs. 7032.94 lakhs). No provision for additional cost is made pending resolution of issues with SAIL.

3. Sundry Debtors and Loans & Advances

3.1 Letters in respect of balances above Rs.1 lakh have been generally issued from time to time to the debtors for confirmation.

3.2 Sundry Debtors, Claims Recoverable, Advances to parties, Sundry Creditors and other Liabilities contained some old balances pending linking/analysing/ reconciliation/adjustment. In some cases balances have been linked/adjusted during the year. For remaining items similar efforts are being made and resultant effects, if any, will be accounted for in the year of such adjustment.

4. Wages

The long-term agreement for wage revision expired on 31.12.96.Pending negotiations and settlement thereof , no provision has been considered for wage revision, if any, for the last quarter of 1996-97. Provision for bonus has been made in the accounts on estimated basis in respect of the employees governed by The Payment of Bonus Act, 1965.

5. National Renewal Fund

The company has received during 1994-95 and 1995-96, and 1996-97 an amount of Rs. 3380.00 lakhs from the National Renewal Fund as Grant-in-aid for disbursement to retiring employees under Voluntary Retirement Scheme out of above Rs.2606.30 lakhs has already been disbursed upto 31.3.97.The balance amount of Rs.773.70 lakhs is under process of disbursement and hence not refunded to the Government of India.

6. Liability for Cess

Supreme Court, vide its judgement dated 4th April,1991 held that cess on mining royalty is ultra-vires the constitution resulting in several refund cases being filed. An Ordinance titled as "The Cesses and Other Taxes on Minerals (Validation) Ordinance, 1992"(subsequently enacted),was promulgated, objects and reasons being to save the State Governments from serious impact on their revenues which they would have faced if called upon to refund the cess. Patna High Court vide its judgement dated 17th Jan,1996 had held that the impugned Ordinance and the impugned Act that followed, did not authorise the recovery of any tax or cess after 4.4.91, even if the liability was incurred under the validated laws before 4.4.91. Accordingly,liability for the period up-to 4.4.91 was reversed during 1995-96. Subsequently this matter has gone under a review petition in Supreme Court in 1996-97. The Company has been advised by a legal expert that no provision is required in this respect.However, Contingent liability in this regard is estimated at Rs.987.92 lakhs (Previous year Rs.987.92 lakhs).

7. Capital work in progress includes Rs.26230.18 lakhs (including Rs.2072.55 lakhs added during the year) towards modernisation expenses is contingent upon implementation of modernisation scheme. Although the implementation of the project has been considerably delayed/ deferred, expenses accruing during such period including interest on loans taken in 1988-89 is added to capital work in progress.

8. At Burnpur works, Stock of Rollable Ingots have been valued at Cost as against cost or realisable value whichever is lower. For ascertaining realisable value subsequent processing cost from the realisable value of blooms were deducted.

As a consequence, stock of semi-finished products has increased by Rs. 361.06 lakhs.

Further, due to inclusion of General and Township overheads as part of cost of production the value of inventory has been increased by Rs.154.30 lakhs.

Due to the aforesaid changes, loss for the year has been reduced by Rs. 515.36 lakhs.

9. Coke Oven battery No.10 has been chilled for revamping during the year in terms of directives issued by the Hon'ble Supreme Court towards pollution control measures and is held as fixed asset. However, provision of Rs.237.00 lakhs has been made in the books of accounts.

10. Blast Furnace No.1 which was phased out in earlier year has been recalled for active use and consequently provision for phased out asset and related stores thereof amounting to Rs.3.25 lakhs and Rs.28.50 lakhs respectively has been written back during the year.

11. Previous year's figures are given in the brackets and these have been re-arranged/re-grouped wherever necessary.

12. Contingent Liabilities not Provided for

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
(A) Claims against the company not acknowledged as Debts		
(i) Pending Judicial decisions	**1184.89**	1592.84
(ii) Sales tax	**710.82**	372.08
(iii) Income tax	**898.19**	1043.19
(iv) Interest on consortium loan	**247.26**	247.26
(v) Central excise duty	**1406.43**	1473.31
(B) Estimated amount of contracts remaining to be executed on Capital Account and not provided for.	**2223.18**	1445.49

13. Licensed Capacity, Installed Capacity, Production

Own Products	Licensed Capacity	Installed Capacity	Production
	(Tonnes)	(Tonnes)	(Tonnes)
Steel Ingots	1300000	1000000	352594
	(1300000)	(1000000)	(329098)
*Saleable Steel	1048000	800000	338415
	(1048000)	(800000)	(302464)
Cast Iron Spun Pipes (I & II)	156960	156960	16751
	(156960)	(156960)	(19851)
Cast Iron Spun Pipes (III)	—	9000	2523
	(—)	(9000)	(750)
Steel Castings	5484	5300	2687
	(5484)	(5300)	(3120)
Non-ferrous Castings	564	530	138
	(564)	(530)	(171)
Other Castings	82716	77916	44490
	(82716)	(77916)	(58932)

Figures in the brackets pertain to previous year.

* *Conversion of sleeper bar of 16848 tonnes (Previous year 8004 tonnes) included.*

Installed capacity assessed before phasing out of the uneconomic plants.

14. Opening Stock, Purchases, Turnover and Closing Stock

	Opening Stock		Purchases		Turnover		Closing Stock	
	Quantity (Tonnes)	Value (Rs/Lakhs)	Quantity (Tonnes)	Value (Rs/Lakhs)	Quantity (Tonnes)	Value (Rs/Lakhs)	Quantity (Tonnes)	Value (Rs/Lakhs)
OWN PRODUCTS								
Saleable Steel	42412	5558.54	—	—	315772	46637.06	41043	5448.38
	(61551)	(7575.10)	(—)	(—)	(306907)	(44642.55)	(42412)	(5558.54)
Pig Iron	19275	1034.53	—	—	256748	19830.75	35843	2677.02
	(18188)	(891.38)	(—)	(—)	(337864)	(25111.40)	(19275)	(1034.53)
Cast Iron Spun Pipes	3581	460.70	—	—	19110	3100.26	3884	552.94
	(6053)	(748.63)	(—)	(—)	(22484)	(2874.97)	(3581)	(460.70)
Steel Castings	866	340.52	—	—	1328	616.53	1130	702.07
	(683)	(245.61)	(—)	(—)	(1664)	(702.60)	(866)	(340.52)
Non-ferrous Castings	73	190.71	—	—	35	133.66	77	246.43
	(67)	(161.39)	(—)	(—)	(63)	(143.14)	(73)	(190.71)
Other Castings	4429	680.88	—	—	31543	6821.00	6652	1206.73
	(5851)	(696.60)	(—)	(—)	(48379)	(8359.98)	(4429)	(680.88)
By-Products	—	448.17	—	—	—	8210.96	—	138.32
	(—)	(340.57)	(—)	(—)	(—)	(9119.02)	(—)	(448.17)
Scrap & Sundry Items	—	2463.52	—	—	—	10456.38	—	6565.92
	(—)	(1814.36)	(—)	(—)	(—)	(10699.41)	(—)	(2463.52)
Purchased Pipes & Castings	99	5.67	—	—	—	—	98	5.52
	(108)	(6.22)	(—)	(—)	(9)	(0.55)	(99)	(5.67)
Purchased Indegenous Steel	9	0.84	401	62.34	410	66.21	—	—
	(1643)	(156.64)	(11570)	(2002.73)	(13205)	(2200.64)	(9)	(0.84)
		11184.08		62.33		95872.81		17543.11
		(12636.50)		(2002.72)		(103854.26)		(11184.06)

i) Figures in brackets pertain to previous year.
ii) Stocks are inclusive of that in transit and do not include semi-finished goods
iii) Quantitative figures for By-Products relate to different measures, other than tonnes.

14(a). Pig Iron and Saleable Steel Quantitative Reconciliation

	Saleable Steel	Pig Iron
		(Quantity: Tonnes)
Opening Stock	42412	19275
	(61551)	(18188)
Production	338415	351899
	(302464)	(420935)
Total	380827	371174
	(364015)	(439123)
Sales	315772	256748
	(306907)	(337864)
Inter Plant Transfer	18330	52340
	(8915)	(62680)
Internal Consumption (including for capital works)	2525	23991
	(2681)	(20094)
Assorted Length/Cutting etc.	4118	—
	(2617)	—
Depletion/Acrcretion(-) in In-process stock (including out of inter plant transfer)	—	—
	—	—
Shortages/Excesss(-) due to Sectional Weight variation transportation,handling etc.	-961	2252
	(483)	(-790)
Closing Stock	41043	35843
	(42412)	(19275)
Total	380827	371174
	(364015)	(439123)

Figures in the brackets pertain to previous year.

SCHEDULES

15. Expenditure incurred in foreign currency on account of

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Training expenses & payments	**0.89**	0.71
Others	**0.00**	7.16
Total	**0.89**	7.87

16. Earnings in foreign exchange on account of

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Export of goods(Calculated on FOB basis)	**49.59**	160.59

17. Value of imports during the period (Calculated on CIF basis)

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Capital goods	106.70	26.41
Stores,Spares and Components	624.22	306.94
Total	730.92	333.35

18. Value of raw materials etc. and stores/spares and components consumed during the year

	Raw materials consumed				Stores & spares consumed			
	Current Year		Previous Year		**Current Year**		Previous Year	
	Rs/Lakhs	**%**	Rs/Lakhs	%	**Rs/Lakhs**	**%**	Rs/Lakhs	%
Imported	**6019.14**	**10.57**	3992.47	7.51	**566.65**	**4.97**	257.59	2.42
Indigenous	**50938.91**	**89.43**	49140.42	92.49	**10844.02**	**95.03**	10408.34	97.58
	56958.05	**100.00**	53132.89	100.00	**11410.67**	**100.00**	10665.93	100.00

19. Particulars of Directors' Remuneration

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Salaries	**2.03**	1.66
Company's contribution to provident fund & other funds	**0.20**	0.15
Provision for gratuity	**0.10**	0.07
Estimated value of perquisites (Excluding facilities provided in Company's hospitals the value of which is not readily ascertainable).	**0.16**	0.00
Total	**2.49**	1.88

SCHEDULE 4
EXENDITURE ON PUBLIC RELATIONS DEPARTMENTS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Employees remuneration & benefits	**11.94**	15.96
Expenditure on institutional publicity	**19.62**	12.93
Other items of expenditure under publicity	**25.40**	9.49
Total	**56.96**	38.38
Turnover	**95872.81**	103854.26
Percentage	**0.06**	0.04

SCHEDULE 5

SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social & Cultural activity	Co-operative society	Transport & Dairy	**Total**	Previous year
								(Rupes in lakhs)
Employees' Remuneration & Benefits								
Salaries & wages	765.44	187.63	806.55	44.12	18.25	89.27	**1911.26**	1908.85
Annual Bonus	28.96	7.95	16.78	2.93	0.00	5.91	**62.53**	65.20
Co. contribution to PF & other funds	53.89	16.39	46.75	3.54	0.00	6.70	**127.27**	132.03
Travel concession	4.59	1.00	3.33	0.00	0.00	0.16	**9.08**	136.86
Welfare expenses	28.43	1.40	10.93	3.14	0.00	3.50	**47.40**	38.73
Gratuity	37.89	8.28	25.47	0.00	0.00	12.42	**84.06**	64.71
Consumption of stores & spares	86.68	0.00	25.68	0.00	0.00	10.53	**122.89**	78.51
Consumption of medicines	0.99	0.24	246.58	25.64	0.00	0.00	**273.45**	337.11
Repair & Maintenance	258.42	0.00	1.97	0.00	0.00	1.83	**262.22**	241.82
Power & Fuel	452.31	14.72	46.48	14.18	0.00	0.00	**527.69**	401.09
Coke subsidy	403.76	2.00	5.00	0.00	0.00	0.00	**410.76**	464.56
Misc.expenses	49.79	47.54	32.19	13.03	0.00	1.67	**144.22**	113.82
Interest	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	0.00
Depreciation	141.97	5.04	17.94	1.37	0.83	14.95	**182.10**	175.28
Total	2313.12	292.19	1285.65	107.95	19.08	146.94	**4164.93**	4158.57
Less: Income	171.88	1.17	138.27	0.00	0.00	2.09	**313.41**	436.61
Net Deficit	2141.24	291.02	1147.38	107.95	19.08	144.85	**3851.52**	3721.96

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	2937	State Code	21
Balance-Sheet Dated	31 03 97		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Redeployment of Funds (Amount in Rs. Thousands)

Total Liabilities	25327374	Total Assets	25327374

Sources of Funds

Paid-up Capital	3876658	Reserve & Surplus	45020
Secured Loans	1050705	Unsecured Loans	11621272

Application of Funds

Net Fixed Assets	6098934	Investments	30868
Net Current Assets	—115417 5	Misc.Expenditure	7480
Accumulated Losses	11610548		

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	9587281	Total Expenditure	12707198
Profit Before Tax	—2130358	Profit After Tax	—2130358
Earnings per Share (Annualised) (Rs.)	—VE	Dividend Rate %	NIL

V. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms)

Item Code No.(ITC Code)	72011000/120
Product Description	PIG IRON
Item Code No.(ITC Code)	721666002
Product Description	SALEABLE STEEL
Item Code No.(ITC Code)	7325
Product Description	CASTINGS

AUDITORS' REPORT

ANNEXURE - I TO DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLY
To The Members of The Indian Iron & Steel Company Limited.	
1. *We have audited the attached Balance Sheet of* The Indian Iron & Steel Co. Ltd. as at 31st March, 1997 and the Profit & Loss Account, for the year ended on that date annexed thereto in which are incorporated the accounts of plants, coal and iron or complexes, branches and other units.	
1.1 Considering the large accumulated losses future viability of the Company depends upon the outcome of decision of BIFR, Pending such decision, the Accounts have been prepared on a going concern basis.	
1.2 Attention is drawn regarding non provision of gratuity liability amounting to Rs. 18.77 crores. (Note No. 1.2.1); Non-provision of diminution in the value of investments in IISCO Ujjain Pipe & Foundry Co. Ltd. aggregating to Rs. 3.00 crores as required by Accounting Standard 13 and for other dues amounting to Rs. 2.08 crores (Note No. 1.4); Non-provision of additional cost arising in case of replenishment of commodity loan amounting to Rs. 71.61 crores (including Rs. 1.28 crores for the year) (Note No. 2); Non-provision of expenses under Capital work-in-progress Rs. 262.30 crores (including Rs. 20.73 crores for the year) under modernisation scheme which in our opinion is not in accordance with the accounting principles (Note No. 7).	Appropriate disclosure Notes form part of the accounts. The amount spent (including interest on loan thereon) relating to modernisation activities has been booked under capital work-in-progress. The revival/modernisation of IISCO is still under consideration of BIFR.
2. As required by the Manufacturing & Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in the said Order.	
3. Further to our comments in the Annexure referred to in para 2 above, we report that:	
3.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.	
3.2 In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of such books and proper returns adequate for the purpose of our audit have been received from Branches not visited by us.	
3.3 The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account, and;	
3.4 Subject to our comments in para 1.1 & 1.2 above, and their consequential effect on the loss of the company, according to the explanations given to us, the said Balance Sheet and Profit & Loss Account read with reference to the Accounting Policies and Notes appearing in Schedule 3 give a true and fair view: i) In the case of the Balance Sheet, of the state of affairs of the company *as at 31st March, 1997 and;* ii) In the case of the Profit & Loss Account, of the loss of the company for the year ended on that date.	
4. The Annual Accounts for 1996-97 of the Company which were reported upon by us on 31st May, 1997 have been revised consequent upon Audit u/s 619(4) of The Companies Act, 1956 by the Comptroller and Auditor General of India. The adjustments arising out of such Audit have been indicated in Note 1.6 of Schedule 3.	

For and on behalf of

R. Singhi & Co.
Chartered Accountants
Sd/-
(L.N. Dey)
Partner

M. Chatterjee & Co.
Chartered Accountants
Sd/-
(P.K. Mookherjee)
Partner

Place: Calcutta
Date : 18th July, 1997

Sd/-
(V.S. Jain)
Director

For and on behalf of the Board of Directors
Sd/-
(S.C.K. Patne)
Managing Director

Place: New Delhi
Date : 1st August, 1997

ANNEXURE TO AUDITORS' REPORT
(Referred to in paragraph 2 of our Report of even date)

COMMENTS	MANAGEMENT'S REPLY
We report that, in our opinion and to the best of our knowledge and belief and as per the information and explanations given to us and the books and records examined by us in the normal course of audit:	
1. (a) The company has maintained proper records to show particulars including quantitative details and situation of its fixed assets except in some cases.	
(b) As stated by the Management the fixed assets of the Company except in some cases have been physically verified by the Management during the year in accordance with a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. However, there are no adequate indications in the Fixed Assets Register to show that the physical verification is being done in accordance with such programme. Consequently, the said verification could not be co-related with Fixed Assets Register. The discrepancies therefore, could not be ascertained and dealt with in the Accounts.	The details of physical verification as per programme are maintained separately. Reconciliation of discrepancies observed during physical verification and necessary adjustment thereof is a continuous process.
2. The fixed assets of the Company have not been revalued during the year.	
3. Except in a few cases the stock of semi-finished/finished products and raw materials have been physically verified by the Management at its various locations during the year. The stores and spare parts are verified in accordance with a regular programme of verification which, in our opinion, is generally reasonable. In certain cases, stock of scrap and middlings have been verified on the basis of visual survey/estimate.	
4. In our opinion and according to the information and explanations given to us the procedures of physical verification of stocks followed by the Management are generally reasonable and adequate in relation to the size of the Company and nature of its business.	
5. The discrepancies between the physical stocks and book records arising out of physical verification as stated in foregoing paragraph, which were material in some cases have been properly dealt with in the books of account.	
6. In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year except in case of ingots which are valued at cost instead of valuing the same at a realisable value by applying the ratio of finished products (blooms) realisable value and its cost upto the stage of the relevant processes (Refer No. 8). Further in arriving at the cost of inventories, wherever applicable, general overheads and township costs have been reckoned. As a result of above charges inventories are higher and loss for the year is lower by Rs. 5.15 crores.	To fall in line with the accounting policy followed by the holding company, ingots have been valued at cost, being intermediary products to be used for further processing and not meant for sale. The general administration overheads incurred at plant level are includible in cost for the purpose of inventory valuation as these are wholly and exclusively incurred in bringing the inventories upto their present location and condition.
7. The Company has taken unsecured loan from its Holding Company—SAIL, including loan from Government of India which are routed through SAIL. In respect of loan received from SAIL's own funds, the terms of repayment of principal amount have not been specified. Unlike preceding year, SAIL has charged interest amounting to Rs. 114.41 crores the rate of interest is not prejudicial to the interest of the Company.	
8. Employees and other parties to whom loans and advances in the nature of loans (except where such loans and advances are treated as doubtful) have been given are generally repaying the principal amount as stipulated and are also regular in payment of interest, where applicable. Reasonable steps are being taken for recovery in the defaulting cases. In case of loans and advances in the nature of loans amounting to Rs. 193.14 lakhs to IISCO Ujjain Pipes & Foundry Co. Ltd. paid in earlier years, the terms and conditions of such loans, as explained are not specified and no interest has been charged during the year.	IISCO-Ujjain Pipe & Foundry Co. Ltd. is in the process of winding up as per the orders of BIFR.
9. The internal control procedure with regard to purchase of stores, raw materials, components, plant and machinery, equipments and other assets and for the sale of goods is adequate, commensurate with the size of the Company and the nature of its business.	
10. On the basis of our test checks, having regard to the explanations that some of the items purchased are of special nature and their prices can not be compared with quotations from other suppliers, the transactions of purchase of goods, materials and services, made in pursuance of contracts or arrangements required to be listed in the register to be maintained under Section 301 and aggregating to Rs. 50,000/- or more during the year in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.	
11. Reasonable provision has been made in the accounts for unserviceable or damaged raw materials and finished goods. As explained to us, the Company has in general a regular procedure for the determination of unserviceable or damaged stores and raw materials and finished goods, and on such basis adequate amounts have been written off or provided for in the accounts except in case of valuation of slow moving stores and spares, provision of only 10% of the book value has been made. The loss, if any, is not determined on such stocks.	

COMMENTS	MANAGEMENT'S REPLY
12. No Public Deposit was received during the year. With regard to the balance of deposit of Rs. 0.25 lakhs, there is no claimant in respect Rs. 0.14 lakhs and no payment could be made for the claim of Rs. 0.11 lakhs due to technical/legal reasons. The provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975 have been complied with.	
13. Records maintained by the Company for sale, disposal or usage of realisable scraps and by-products are reasonable.	
14. The Company has an Internal Audit System generally commensurate with the size and nature of its business except that its scope and coverage and implementation needs to be improved/enlarged.	Scope and coverage of Internal Audit has been reviewed and enlarged during the year. Action is being taken to further increase the activities of the department.
15. Maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 excepting for chemicals. On broad review of the relevant records relating to the paid product we are of the opinion that prima facie, the prescribed accounts and records have been maintained.	
16. According to the records of the Company, Provident Fund dues have been generally regularly deposited during the year with appropriate authorities except in few cases where delay in payment was noticed. A sum of Rs. 0.13 crores is in arrear at Chasnala colliery as on 31st March, 1997 which has since been paid. As informed to us, Employees State Insurance is not applicable to the company.	
17. There are no outstanding undisputed dues as on 31st March, 1997 (for a period exceeding six months from the date they became payable) in respect of Income Tax, Wealth Tax, Sales Tax, and Customs Duty.	
18. According to the information and explanations given to us and the records of the Company examined by us no personal expenses have been charged to revenue account other than those payable under contractual liability or/in accordance with generally accepted business practices.	
19. The Company is a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 as amended and a reference to BIFR was made on 22.06.94 under Sec. 15 of the said Act. The BIFR bench has granted time upto 26.06.97.	Revival package is under consideration. Further extention of time has been sought from BIFR.
20. In respect of the Company's trading activities, we are informed that there are no *damaged goods.*	

For and on behalf of

R. Singhi & Co. *Chartered Accountants*	**M. Chatterjee & Co.** *Chartered Accountants*		For and on behalf of the Board of Directors
Sd/- **(L.N. Dey)** *Partner*	Sd/- **(P.K. Mookherjee)** *Partner*	Sd/- **(V.S. Jain)** *Director*	Sd/- **(S.C.K. Patne)** *Managing Director*

Place: Calcutta
Date : 18th July, 1997

Place : New Delhi
Date : 1st August, 1997

COMMENTS OF C&AG

ANNEXURE - II TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE INDIAN IRON & STEEL COMPANY LIMITED, CALCUTTA FOR THE YEAR ENDED 31ST MARCH, 1997

COMMENTS	MANAGEMENT'S REPLY
1. The Accounts of the Company have been revised as a result of observations made by the Comptroller & Auditor General of India as indicated in Note No. 1.6 of Notes forming part of accounts.	
2. The following further comments are made upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the revised accounts of the Indian Iron & Steel Company Ltd., Calcutta for the year ended 31st March, 1997.	
Profit & Loss Account	
Loss of Rs. 222.33 crores for the year is to be viewed in the light of the fact of short provision of Rs. 8.53 crores due to deferment of liability in respect of retirement benefits (leave encashment) in contravention of the Accounting Standard - 15. (Note No. 1.2.2 of Schedule 3).	As the entitlement for leave encashment is a retirement benefit for past service related to services to be rendered by the employees in future, the cost thereof ought to be allocated over the periods during which services are to be rendered. International Accounting Standard specifically allows recognition of such liability to be spread over the expected remaining working lives of the employees. Accordingly, accrued leave liability upto 31-3-1995 was crystallised to be written off over the remaining working lives of the employees as determined actuarially during the year 1995-96, in which AS-15 was made mandatory. The accounting treatment of the above is in line with the previous year and the policy has been consistently followed. Therefore, there is no short provision for leave encashment liability.

Sd/-
(Rakesh Jain)
Principal Director of Commercial Audit & Ex-Officio Member, Audit Board, Ranchi

Place: Calcutta
Date : 18th July, 1997

For and on behalf of the Board of Directors

Sd/-
(V.S. Jain)
Director

Sd/-
(S.C.K. Patne)
Managing Director

Place : New Delhi
Date : 1st August, 1997

REVIEW OF ACCOUNTS

ANNEXURE - II TO DIRECTORS' REPORT

REVIEW OF ACCOUNTS OF INDIAN IRON & STEEL COMPANY LIMITED, CALCUTTA, FOR THE YEAR ENDED 31ST MARCH 1997 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Financial Position :
The table below summarises the financial position of the Company under broad *headings for the last three years:*

	1994-95	1995-96	**1996-97**
			(Rs. in crores)
LIABILITIES			
a) *Paid-up capital*			
i) Government Company	387.67	387.67	**387.67**
ii) Others	—	—	—
b) Reserves & Surplus			
i) Free Reserves	—	—	—
ii) Share Premium Account	0.36	0.36	**0.36**
iii) Capital Reserves	4.21	4.18	**4.15**
c) Borrowings			
i) From Govt. of India	—	—	—
ii) From Financial Institutions	41.95	41.95	**41.95**
iii) Foriegn Currency Loans	—	—	—
iv) Cash Credit	32.14	31.48	**39.41**
v) Others	811.31	870.91	**925.81**
vi) Interest accrued and due	95.18	121.08	**260.02**
d) i) Current Liabilities and Provisions	663.72	661.65	**786.04**
ii) Provision for Gratuity	58.90	79.37	**87.33**
	2095.44	2198.65	**2532.74**
ASSETS			
e) Gross Block	643.70	698.08	**721.87**
f) Less : Depreciation	368.36	392.94	**420.17**
g) Net Block	275.34	305.14	**301.70**
h) Capital Works in-progress	291.02	284.20	**308.20**
i) Investments	3.14	3.09	**3.09**
j) Current Assets, Loans and Advances	623.36	656.52	**757.95**
k) Misc-expenditure not written off	3.61	1.68	**0.75**
l) Accumulated loss	898.97	948.02	**1161.05**
Total	2095.44	2198.65	**2532.74**
m) Working Capital [j-d(i)-c(vi)]	—135.54	—126.21	**—288.11**
n) Capital Employed (g+m)	139.80	178.93	**13.59**
o) Net Worth [a+b(i)+b(ii)-k-l]	—514.55	—561.67	**—773.77**
p) Net Worth per Rupee of Paid-up Capital (in Rs.)	—ve	—ve	**—ve**

(i) Investment includes Rs.3.00 crores invested in its fully owned Subsidiary Company, IISCO Ujjain Pipes & Foundry Company Limited, which has huge accumulated losses of Rs.15.14 crores as on 31st March, 1996 and negative net worth. IISCO Ujjain Pipes & Foundry Company Limited has been referred to BIFR in March, 1994.

(ii) The cumulative loss of Rs.1161.05 crores as on 31st March, 1997 represents 299.49% of the paid up capital. Such cumulative loss remains even after write off of loans & liabilities for Rs.238.83 crores & Rs.11.55 crores during 1988-89 & 1989-90 being loans from Govt. of India outstanding as on 31st March, 1987. The Net Worth having become negative, the company has been declared sick and referred to Board for Industrial & Financial Reconstruction (BIFR) on 22 June, 1994.

2. Ratio Analysis
Some important financial ratios on the financial health & work of the Company at the end of last three years are as under:

	1994-95	1995-96	**1996-97**
			(in percentages)
A. Liquidity Ratio			
Current Ratio (Current assets to Current liabilities & Provisions and interest accrued & due but excluding provision for Gratuity) [j/(d(i)+c(vi)]	82	84	**72**

	1994-95	1995-96	**1996-97**
			(in percentages)
B. Debt Equity Ratio (Long term debt to Equity) [c(i to v but excluding short term loans) /o]	—ve	—ve	**—ve**
C. Profitability Ratios :			
a) Profit before tax to			
i) Capital Employed	—ve	—ve	**—ve**
ii) Net Worth	—ve	—ve	**—ve**
iii) Sales	—ve	—ve	**—ve**
b) Profit after tax to Equity	—ve	—ve	**—ve**
c) Earning per share (in Rupees)	—	—	—

3. Sources and uses of Funds
Funds amounting to Rs.224.73 crores from internal & external sources were realised and utilised during this year as given below :-

			(Rs.in crores)
Sources of Funds			
1) Additions to borrowed fund			62.83
2) *Decrease in working capital*			161.90
TOTAL			224.73
Application of funds			
1) Addition to Fixed Assets (including adjustments of assets costing Rs.1.11 crores)			23.73
2) Increase in Capital W.I.P			24.00
3) Funds applied on operations:			
— Loss for the year		213.03	
Less: Depreciation	27.19		
— Decrease in miscellaneous Expenditure	0.93		
— Provision for Gratuity	7.96		
	36.08		
Less: Profit on Sale of Assets	.05	36.03	177.00
TOTAL			224.73

4. WORKING RESULTS
The table below indicates sales, loss, etc. during the last three years.

	1994-95	1995-96	**1996-97**
			(Rs. in crores)
a) Total sales	943.66	1038.54	**958.73**
b) Net loss during the year	6.27	49.05	**213.03**
c) %age of net loss to sales	0.66	4.72	**22.22**

5. INVENTORY LEVELS
The following table indicates the Inventory Levels (net of Provisions) during the last three years :

	1994-95	1995-96	**1996-97**
			(Rs. in crores)
Stores & Spares (excluding in-transit)	80.38	79.17	**74.51**
Raw Materials (excluding in-transit)	40.81	25.59	**34.41**
Semi/Finished goods (excluding in-transit)	106.99	86.86	**172.55**
Scrap	0.78	0.82	**0.72**

6. SUNDRY DEBTORS
The following table indicates the Sundry Debtors and Sales in the last three years :

As on 31st March	Sundry Debtors considered good	Sundry Debtors considered doubtful	Total Sundry Debtors	Total Sales	% of Sundry Debtors to Sales
					(Rs. in crores)
1995	254.17	15.48	269.65	943.66	29
1996	336.24	15.74	351.98	1038.54	34
1997	**376.84**	**19.12**	**395.96**	**958.73**	**41**

The percentage of Sundry Debtors to *Sales has* increased indicating deterioration in realisation of debts.

Sd/-
(Rakesh Jain)
Principal Director of Commercial Audit, Ranchi

Place : Ranchi
Date : 30th July, 1997

ANNEXURE - III TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy :

a) Energy conservation measures taken :

Energy conservation Schemes taken up during 1996-97 are as follows :-

i) Thermal insulation of cold blast main from Turbo Blower House to Blast Furnaces Nos. 3 & 4 (total area insulated = 1800 m^2)

ii) On line steam leak sealing on H.P. Steam pipeline network.

iii) Conventional steam leak repairing on H.P/I.P/L.P Steam pipeline network

b) Additional investments and proposals, being implemented for reduction of consumption of energy.

Following Schemes are being implemented :

i) Installation of 50 Nos. of steam traps with strainers and 100 Nos. of steam valves.

ii) On line steam leak sealing.

c) Impact of measures of (a) and(b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Impact of measures on energy and cost are as follows :-

i) Saving of 26.7 thousand giga calories per year due to insulation of C.B. Main of B. Fce No. 3 & 4 leading to a financial saving of Rs.66.6 lacs per year.

ii) Saving due to Steam leak sealing by on line and conventional techniques to estimated at Rs.2 lacs/month.

iii) Installation of steam traps with strainers and valves arrests steam leaks from defective drains and valves.

d) Total energy consumption and energy consumption per unit of production :

B. Technology Absorption :

e) Efforts made in technology absorption :

Form "B" enclosed.

C. Foreign Exchange Earnings and Outgo :

f) Activities relating to exports, initiataive taken to increase exports, development nf new export markets for products and services and export plans :

Activities relating to exports during 1996-97 are mentioned in the Directors' Report. Efforts to export products are continuing.

g) Total foreign exchange used and earned during 1996-97 :

Foreign Exchange used	Rs. 730.92 lakhs
Foreign Exchange earned	Rs. 49.59 lakhs

For and on behalf of the Board of Directors

Sd/-	Sd/-
(V.S. Jain)	**(S.C.K. Patne)**
Director	*Managing Director*

Place : New Delhi
Dated : 1st August, 1997

FORM - A
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current year 1996-97	Previous year 1995-96
BURNPUR WORKS		
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Unit (Kwh)	**132049463**	133867740
Total amount (Rs. lakhs)	**2524.91**	2010.72
Rate/Unit (Rs. per Kwh)	**1.91**	1.50
b) Own Generation		
i) Through Diesel Generator		
Unit		
Unit per litre of Diesel Oil		
Cost/Unit		
ii) Through Steam Turbine/Generator		
Unit (Kwh)	**115131000**	104427000
Unit per litre of fuel oil/ Gas (Kwh/G. Cal)	**171.39**	155.45
Cost/Unit (Rs. per Kwh)	**3.41**	2.89
2. Coal		
a) Coking Coal (indigenous) used in Coke Ovens		
Quantity (Tonnes) wet	**1186920**	1271899
Total Cost (Rs.lakhs)	**22256.05**	19537.49
Average Rate (Rs. per tonne)	**1875.11**	1536.09
b) Coking Coal (Imported) used in Coke Ovens		
Quantity (Tonnes) wet	**201570**	137226
Total Cost (Rs. Lakhs)	**6019.15**	3992.47
Average Rate (Rs.per tonne)	**2986.14**	2909.41
c) Non-Coking Coal used in Boilers		
Quantity (Tonnes) wet	**249745**	205287
Total Cost (Rs. lakhs)	**3523.62**	1951.42
Average Rate (Rs. per tonne)	**1410.89**	950.58
3. Furnace Oil		
Quantity (K. Litres)	—	—
Total Amount (Rs. lakhs)	—	—
Average Rate (Rs. per K.litre)	—	—
4. Others/Internal Generation		
B. Consumption per unit of production		
Products		
Ingot Steel (tonnes)	**352594**	329096
Electricity (Kwh/tcs)	**659.4**	681.9
Furnace Oil (Kl/tcs)	—	—
Coal: Indigenous Coking Coal (t/tcs)	**3.366**	3.864
Imported Coking Coal (t/tcs)	**0.572**	0.417
Indigenous Non-Coking Coal (t/tcs)	**0.708**	0.624
Others	—	—

FORM - A
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current year 1996-97	Previous year 1995-96
KULTI WORKS		
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Unit (Kwh)	**34260528**	34902537
Total amount (Rs. lakhs)	**799.67**	674.44
Rate/Unit (Rs.per Kwh)	**2.33**	1.93
b) Own Generation		
i) Through Diesel Generator		
Unit	**Nil**	Nil
Unit per litre of Diesel Oil		
Cost/Unit	—	—
ii) Through Steam Turbine/Generator		
Unit	**Nil**	Nil
Unit per litre of fuel oil/gas		
Cost/Unit	—	—
2. Coal		
Quantity	**Nil**	Nil
Total Cost	**N.A**	N.A
Average Rate	**N.A**	N.A
3. Furnace Oil		
Quantity (K.Litres)	**898**	771
Total Amount (Rs. lakhs)	**46.80**	38.07
Average Rate (Rs.per K.Litre)	**5211.58**	4939.97
4. Others/Internal Generation	**Nil**	Nil
B. Consumption per Unit of production		
1. Products		
Spun Pipes (MT)	**19274**	20672
Castings (MT)	**47316**	62222
2. Electricity		
Spun Pipes (Kwh/MT)	**196**	190
Castings (Kwh/MT)	**193**	180
(This excludes electricity consumption for Services and Non-Works Departments which is 302.20 Kwh/MT in 1996-97, 237.01 Kwh/MT in 1995-96)		
3. Furnace Oil & C.O. Gas ($X\ 10^3$ K. Cals/MT)		
Spun Pipes	**735**	784
Castings	**376**	326
(This excludes fuel consumption for Services Departments which is 11.13 x 10^3 K. Cals/MT in 1996-97 and 11.29 x 10^3 K. Cals/MT in 1995-96)		
4. Coal	**Nil**	Nil
5. Others	**Nil**	Nil

FORM - B
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT OF TECHNOLOGY ABSORPTION

Research and Development

1. Specific areas in which R&D carried out by the Company :
   R&D activities were carried out in the areas of Rolling Mills and Blast Furnaces at Burnpur Works

2. Benefits derived as a result of the above R &D :

Projects	Benefits derived
A. Burnpur Works	
1. Optimisation of operation of R.H. Furnaces of HSM, IISCO	1. Work in progress; to be completed in 1997-98 2. Envisaged benefits : a) Sp. Energy consumption reduction by 10% b) Scale formation reduction by 15% c) To improve burner life.
2. Improvement in the productivity and quality of Structurals at HSM, IISCO	1. Work in progress. a) Reduction in cobble generation by 20% in 300/90 m.m. Channel and 300/140 m.m joists. b) Productivity increase by 10% c) Reduction in rejects due to mill defects arisings by 20% d) Improvement in Roll life by 10%
3. Improvement in the productivity of Roll Turning Shop, IISCO	1. Work in progress 2. Envisaged benefits. a) Improved tool file by 50% b) Productivity increase by 10%

3. Future plan of action :
   During 1997-98 the following R&D Projects are contemplated to be taken up :

BURNPUR WORKS

1. Projects Nos. 1, 2 & 3, as mentioned above, will continue in 1997-98. In addition, assessment of particulate (PAH) in Coke Ovens fugutive emission and lead (pb) in Ambient Air, will be taken up to meet the statutory requirements.

4. Expenditure on R&D at Burnpur Works :

	1996-97
a) Capital	Nil
b) Revenue	Rs. 25.0 lakhs
c) Total	Rs. 25.0 lakhs
d) Total R&D expenditure as a percentage of total turnover	0.03%

Technology Absorption, Adaptation and innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

The new technology adapted and the benefits derived are :

New Technology	Benefits derived
1) Gas cleaning plant in SMS	1) Abatement of Pollution and improvement of ambient air quality 2) Reduction in stack emission
2) Charging of Nut coke along with BF burden	1) Utilisation of secondary product 2) Reduction of coke rate

3) In case of imported technology (imported during the last five years) reckoned from the beginning of the financial year :
   a) Technology Imported
   b) Year of Import
   c) Has Technology been fully absorbed ?
   d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

   No technology was imported during the last five years.

ANNUAL REPORT
1996-97

MAHARASHTRA ELEKTROSMELT LIMITED

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts for the year ended 31st March, 1997.

FINANCIAL REVIEW

During the year the Company has achieved a turnover of Rs.16988.23 lakhs as against Rs.16474.62 lakhs in 1995-96 showing an increase of 3.12 % . MSEB has increased the power tariff with effect from 1st July, 1996 by nearly 40%. Moreover, the supply of Ferro Alloy products was much in excess than the demand. Therefore, the Company could not sell its products and that the steep rise in the cost of production due to rise in power tariff has not been passed on to the buyers. Further, the Company could not also sell its undersize/by products at remunerative price. By virtue of these, the Company has ended with loss of Rs.160.16 lakhs for 1996-97.

	1996-97	1995-96 (Rs. in lakhs)
Turnover	**16988.23**	16474.62
Gross Profit	**313.76**	548.83
Interest	**351.47**	245.64
Depreciation	**122.45**	112.20
Net Profit before Tax	**(160.16)**	190.99
Provision for Tax	**Nil**	42.00
Net Profit after Tax	**(160.16)**	148.99
Proposed Dividend	**Nil**	25.00

As the Company has incurred loss of Rs.160.16 lakhs for the year 1996-97, the Directors have not recommended any dividend for the year. However, the future of the Company is promising. In spite of sudden rise in Power Tariff and supply of products was higher than the demand, the Company aims to consolidate its position and move from strength to strength. Due emphasis is being given on building capabilities for exploring New Markets.

The Company during the year ended 1996-97 has been able to repay term loan to Bank and Financial Institutions amounting to Rs.295 lakhs.

PRODUCTION REVIEW

Due to severe sluggish nature of Steel Markets, production of Ferro Alloys also got affected. During 1996-97 the Company's production was less than the production for 1995-96. The details of production are given below :

	1996-97	1995-96 MT
High Carbon Ferro Manganese	**59680**	58736
Silico Manganese	**27496**	30979
Medium Carbon Ferro Manganese	**902**	1473

SALES & MARKETING REVIEW

In order to meet the challenges arising out of new economic policies and further liberalisation in import, measures were taken by the Company to find markets outside SAIL under policy framed "Strategy for Managing Change".

Though there was severe competition and excess supply in the Ferro Alloys market, continuous efforts were made by the Company to sell its products to various customers and also finding new customers for disposal of its products. The sales of different grades of ferro alloys during 1995-96 & 1996-97 were detailed below:

	1996-97	1995-96 (MT)
DESPATCHED TO SAIL STEEL PLANTS		
High Carbon Ferro Manganese	**53997**	56028
Silico Manganese	**21467**	26829
Medium Carbon Ferro Manganese	**542**	1419
OTHER CUSTOMERS		
High Carbon Ferro Manganese	**2758**	2968
Silico Manganese	**2632**	3588
Medium Carbon Ferro Manganese	**7**	38

During the year there was steep reduction in the price of Ferro Alloy products in international markets, no export has been made.

RESEARCH & DEVELOPMENT

Studies were carried out on Alkali removal from Ferro Manganese Slag and it was revealed that around 40% Alkali could be removed from Slag by bacterial leaching process. Ferro Manganese Slag with low Alkali loading could be a better replacement to Mn Ores used in blast furnace. Trials have to be carried out on pelletisation of GCP sludge and Mn Ore super fines pellets which would replace costly Mn Ore in SiMn production.

Dust suppression system was installed at ground hopper for better working condition and control of fugutive emissions.

HUMAN RESOURCES MANAGEMENT REVIEW

MEL gives great importance to the Development of its Human resources and makes all out efforts to ensure that these are tuned towards meeting the challenges thrown up in the new economic environment. The thrust has been on achieving the goal of higher productivity through optimum utilisation of manpower. The manpower strength as on 31st March, 1997 was 1060 comprising of 153 Executives and 907 Non Executives. The number of Schedule Castes, Schedule Tribes and OBC were 139, 51 and 274 respectively. Redeployment of personnel was made to meet the internal requirements. The restructuring of the Organisation has been done for effective working. A total of 501 employees have been trained. Special efforts have been made to launch the concept of Bench Marking at MEL. Sr.Executives and Executives in all areas have been trained. Technical discussions with open house interactions were started.

To recognise the good performance of the employees and for further motivation, a group of employees were given award on 26.02.1997.

Suggestion Scheme has been modified and given a new dimension. Suggestion MELAS were organised for mass participation in three major departments viz. FAD, Transport and Sinter Plant.

One of our employees was conferred the prestigious State Award of "Gunwant Kamgar Puraskar".

Welfare Activities in areas of Medical, Education, Working Condition, Canteen, Sports, Township improvements have been maintained and improved.

ENVIRONMENT

Environment Management and pollution control continued to get top priority in Company's activities during the year. To keep environment clean for ecological protection, thrust was given in the areas of green belt development in and around the plant premises, solid waste management, monitoring of liquid and air effluent for various environmental parameters. In and around the Plant 5000 teak and other saplings were planted in addition to the regular maintenance of existing 5000 teak plants.

To comply with environmental standards set up by Maharashtra Pollution Control Board, Gas Cleaning Plant for SAF-II costing around Rs.1.6 crores is nearing completion. This would also enhance the availability of clean gas for gainful utilisation as a fuel to Sintering Plant and Lime Kiln. Gas based Captive Power Plant of 3.5 MW capacity for complete utilisation of clean gas has been approved & initial project activities have been started.

Continuous steps were taken towards gainful utilisation of High MnO Slag in SiMn Production, Lumpy SiMn Slag as rail ballast and Granulated Slag as stowing material in WCL mines and Sale of SiMn Slag for road construction and repairs.

As a recognition of its efforts towards environmental protection, MEL has bagged the prestigious "SAIL Paryavaran Award" for being adjudged as "Best" in "Solid Waste Management" for third successive year.

TOTAL QUALITY & INDUSTRIAL SAFETY

In the implementation programme of obtaining ISO-9002 certification, the Company had systematically carried out (i) Awareness Building and Preparation (ii) Documentation & Adequacy Audit and implementation, (iii) System Audit, followup and corrective action and(iv) Pre-system and Certification. Your Company has achieved ISO-9002 certificate from LRQA on 15th October, 1996 and joined the league of other Quality-conscious sister organisations in SAIL family.

During the year under review in Industrial Safety the Company was bestowed with "International Award" from British Safety Council, National Award for " Steel Minister's Trophy" for best Safety performance, SAIL Chairman's Silver Plaque for no fatal Accident, Merit Certificate from the Council of Industrial Safety, Mumbai, for Meritorious Safety Performance and First Prize for its overall Safety Performance Award from Vidarbha Industrial Safety Committee.

FUTURE PLAN

To achieve the objectives of the Corporate Plan 2005 A.D. steps are being taken to introduce Furnace Automation system at MEL for better operational control of submerged Arc Furnaces and energy conservation.

DIRECTORS' REPORT

Project work on gas based Captive Power Plant of 3.5 MW capacity has been started. The technical offers are being scrutinised. The Power Plant is expected to go on main stream by December, 1998.

Installation of Ferro Alloy Casting Machine for increasing yield of finished products is under active consideration.

PARTICULARS OF EMPLOYEES

There was no emplyee of the Company who received remuneration in excess of the limits prescribed in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees)Rules, 1975.

DIRECTORS

Dr. B.N. Singh, Director (Personnel), SAIL, joined the Board with effect from 18th June, 1997 and Shri A.K. Jayswal, Executive Director, joined the Board with effect from 11th March, 1997.

The Board places on record its appreciation to Shri M.R.R. Nair, Shri Arvind Pande, Shri A.K. Singh, Shri B.R. Satpathy and Shri T.P. Narayanan, who were earlier on the Board and now cease to be on the Board, for their active support and guidance.

AUDITOR'S REPORT

The Report of the Statutory Auditors on the Statement of Accounts is placed below.

Review on accounts by Comptroller and Auditor General of India is attached to this report.

ACKNOWLEDGEMENT

The Directors take this opportunity to express their appreciation for the support, co-operation and loyalty extended by every employee of the Company. They wish to acknowledge the continued support extended by Steel Authority of India Limited. The Directors also greatly appreciate the excellent support the Company received from Shareholders, Auditors, Bankers and Financial Institutions, Central & State Govts & Local Authorities, Electricity Board and the Suppliers and Customers.

For & on behalf of the Board

Sd/-
(V. GUJRAL)
CHAIRMAN

Bhilai
Date : 23.7.1997

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY

The Company continued its efforts in taking up various energy conservation measures to reduce energy consumption in production of high carbon ferro manganese and silico manganese.

Various measures taken to conserve energy include :

— Appropriate use of shunt capacitors to maintain power factor within 0.98 - 0.99, thereby improving power utilisation.

— Ensuring balanced electrical conditions thereby controlling phase to phase voltage imbalance well within 1% to reduce electrical losses in the system.

— Use of easily reduceable oxide manganese ores which require lower energy for reduction in Submerged Arc Furnace.

— Increase in usage of manganese ore sinters and high MnO slag to control charge resistance in production of silico manganese and reduce energy consumption.

— Implementation of furnace automation system is in advance stage and this will ensure reduction in energy consumption.

— Company has plans to install captive power plant based on usage of furnace 'CO' gas.

— A project on introduction of furnace 'CO' gas fired combustion system for heating of carbon tamping paste is under active consideration.

FORMS 'A' & 'B' PLACED SEPARATELY

FORM 'C'

FOREIGN EXCHANGE EARNINGS & OUTGO

		Rs./Lakhs
EARNINGS	:	NIL
OUTGO	:	NIL

FORM 'A'
CONSERVATION OF ENERGY

		1996-97	1995-96
POWER & FUEL CONSUMPTION			
ELECTRICITY			
1. Purchased			
Unit	0.00 kwh	**2856.45**	3064.07
Total Amount	Rs./Lakhs	**8902.3**	7422.57
Rate/Unit	Rs.	**3.12**	2.42
2. Own Generation			
Through Diesel Generator	0.00 kwh	—	—
Unit per Ltr. of Diesel Oil			
Cost/Unit	kwh	—	—
Through Steam	Rs.	—	—
Turbine Generator			
COAL			
Quantity	Tonne	—	
Total Cost	Rs./Lakhs	—	—
Average Rate	Rs.	—	—
FURNACE OIL			
Quantity	KL	—	85570
Total Cost	Rs./Lakhs	—	5.23
Average Rate	Rs./Ltr.	—	6.11
Other Internal Generation		—	—

CONSUMPTION PER UNIT OF PRODUCTION

	ELECTRICITY (Kwh/Tonne) 1996-97	(Kwh/Tonne) 95-96	FURNACE OIL (Tonnes/Tonne) 96-97	95-96	COAL (Tonnes/Tonne) 96-97	95-96
Ferro Manganese	**2839**	2898		—		—
Silico Manganese	**4531**	4294		—		—
Medium Carbon	**1435**	1487		—		—

FORM 'B'
RESEARCH & DEVELOPMENT (R&D)

1) Specific Area in which R&D carried out by the Company

- Alkali removal from FeMn Slag.
- Pelletisation of gas cleaning plant (GCP) sludge and waste manganese ore super fines for use of pellets in SiMn production.
- Control of fugutive emission at ground hopper in yard.

2) Benefits derived as a result of above R & D

- Methodology for accounting and auditing of energy consumption for its regular monitoring in the plant, identification of high energy consumption areas and recommendations for energy conservation were evolved.
- Scheme for utilisation of 'CO' gas in preheating of raw materials in the bins has been suggested to reduce energy consumption in the furnace.
- Studies on alkali removal from FeMn slag will be continued in the next financial year. The project is aimed at utilisation of FeMn slag as source of manganese in the Blast Furnace burden in sintering route.

3) Future Plan of action

- Details given in Directors' Report.

4) Expenditure on R & D

- Reaserch work is undertaken jointly with RDCIS, SAIL and as such no specific expenses on R & D apportionable.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1) Furnace Automation system is in advance stage of completion which will reduce power consumption by 2%.
2) To utilise the total gas from SAFs the Company is going ahead with its project for installation of 3.5 MW captive power generation plant.
3) As an effective cost reduction measure towards conservation of expensive lumpy Manganese Ore, 70% of the Ore requirement has been replaced by sinters in SiMn production. MEL has planned for installation of Ferro Alloy casting machine to improve yield of saleable HcFeMn & SiMn.

BALANCE SHEET

AS AT 31ST MARCH, 1997

	Schedule No.		As at 31st March, 1997		As at 31 March, 1996
					(Rupees in lakhs)
SOURCES OF FUNDS :					
SHAREHOLDERS' FUNDS:					
Share Capital	1.1	1,000.00		500.00	
Reserves & Surplus	1.2	465.75		625.91	
			1,465.75		1,125.91
LOAN FUNDS:					
Secured Loans	1.3	1,633.34		1,547.41	
Unsecured Loans	1.4	815.52		934.09	
			2,448.86		2,481.50
Deferred Payment Acceptance	1.5		46.48		61.97
TOTAL			3,961.09		3,669.38
APPLICATION OF FUNDS:					
FIXED ASSETS :					
Gross Block	1.6	5,464.90		4,955.94	
Less: Depreciation		3,172.00		3,169.19	
Net Block		2,292.90		1,786.75	
Capital Work-in-progress	1.7	223.98		76.05	
			2,516.88		1,862.80
INVESTMENTS	1.8		0.52		0.52
CURRENT ASSETS LOANS AND ADVANCES :					
Inventories	1.9	2,376.13		1,757.61	
Sundry Debtors	1.10	2,001.37		1,034.60	
Cash and Bank Balances	1.11	286.16		121.96	
Interest Receivable	1.12	43.56		20.33	
Loans and Advances	1.13	1,395.43		1,385.40	
		6,102.65		4,319.90	
Less: CURRENT LIABILITIES & PROVISIONS	1.14	4,658.96		2,563.72	
Net Current Assets			1,443.69		1,756.18
Miscellaneous Expenditure (To the extent *not written off or adjusted*)	1.15		0.00		49.88
TOTAL			3,961.09		3,669.38
Notes on Accounts	3.0				

Schedules 1 to 3 form part of Accounts.

As per our report of even date attached
FOR MUKUND M. CHITALE & CO.
Chartered Accountants

Sd/-
(R. ASHOKKUMARR)
Company Secretary

Sd/-
(A.K. JAYSWAL)
Executive Director

Sd/-
(MUKUND M. CHITALE)
Partner

Sd/-
(S. CHAKRAVARTHY)
Asstt. General Manager (F&A)

Sd/-
(V. GUJRAL)
Chairman

Place : New Delhi
Dated : 27-05-97

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1997

	Schedule No.	Year ended 31st March, 1997	Year ended 31st March, 1996
			(Rupees in lakhs)
INCOME			
Sales	2.1	**16,988.23**	16,474.62
Accretion/Depletion in stock of Finished Goods	2.2	**869.93**	(309.01)
Interest earned	2.3	**55.11**	8.47
Other Revenues	2.4	**94.70**	91.01
Provision no longer required written back	2.5	**1.99**	191.22
TOTAL		**18,009.96**	16,456.31
EXPENDITURE			
Raw Materials consumed	2.6	**6,228.16**	6,311.82
Employees' Remuneration and Benefits	2.7	**1,179.31**	965.72
Stores and Spares consumed		**346.82**	358.83
Power and Fuel	2.8	**8,945.21**	7,555.54
Repairs and Maintenance	2.9	**25.13**	32.17
Other Expenses and Provisions	2.10	**1,081.81**	570.47
Interest	2.11	**351.47**	245.64
Depreciation		**122.45**	112.20
TOTAL		**18,280.36**	16,152.39
Profit for the year		**(270.40)**	303.92
Adjustments pertaining to earlier years	2.12	**(9.39)**	(112.93)
Depreciation written back		**119.63**	0.00
Profit before tax		**(160.16)**	190.99
(Less) : Provision for tax		—	42.00
Profit after tax		**(160.16)**	148.99
Profit brought forward from previous year		**533.78**	409.79
Amount available for appropriations		**373.62**	558.78
(Less) : Proposed dividend		—	25.00
Balance of Profit carried forward to Balance Sheet		**373.62**	533.78

Notes on Accounts 3.0

Schedules 1 to 3 form part of Accounts.

As per our report of even date attached
FOR MUKUND M. CHITALE & CO.
Chartered Accountants

Sd/-
(MUKUND M. CHITALE)
Partner

Place : New Delhi
Dated : 27-05-97

Sd/-
(R. ASHOKKUMARR)
Company Secretary

Sd/-
(A.K. JAYSWAL)
Executive Director

Sd/-
(S. CHAKRAVARTHY)
Asstt. General Manager (F&A)

Sd/-
(V. GUJRAL)
Chairman

SCHEDULES

1.1 SHARE CAPITAL

	As at 31st March, 1997	As at 31st March, 1996
	(Rupees in lakhs)	
Authorised		
20,000,000 (10,000,000) Equity Shares of Rs.10/- each	**2,000.00**	1,000.00
	2,000.00	1,000.00
Issued :		
10,000,000 (5,000,000) Equity Shares of Rs.10/- each	**1,000.00**	500.00
Subscribed and Paid-up :		
10,000,000 (5,000,000) Equity Shares of Rs.10 /- each fully paid-up [*]	**1,000.00**	500.00
TOTAL	**1,000.00**	500.00

[*] *Of the above 9,787,935 (4,787,935)* Equity Shares are held by Steel Authority of India Limited - Holding Company

1.2 RESERVES & SURPLUS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
CAPITAL RESERVE (Represents amount received from Central Government by way of Capital subsidy)		**15.00**		15.00
INVESTMENT ALLOWANCE RESERVE UTILISED ACCOUNT :				
As per last Balance Sheet	**77.13**		77.13	
Less : Transfer to General Reserve	**77.13**		0.00	
GENERAL RESERVE :		**0.00**		77.13
As per last Balance Sheet	**0.00**		0.00	
Add : *Transfer from investment allowance reserve utilise account*	**77.13**		*0.00*	
		77.13		0.00
SURPLUS: PROFIT AND LOSS ACCOUNT		**373.62**		533.78
TOTAL		**465.75**		625.91

1.3 SECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
TERM LOANS FROM :				
Industrial Development Bank of India	**0.00**		75.52	
Housing Development Finance Corporation Ltd.	**145.76**		98.36	
Interest accrued and due	**0.15**		0.19	
		145.91		174.07
CASH CREDIT FROM BANKS [Secured by hypothecation of stocks, stores and book debts and are guaranteed by the Steel Authority of India Limited (Holding Company)]		**1,487.43**		1,373.34
TOTAL		**1,633.34**		1,547.41

1. The term loan from IDBI was secured by mortgages ranking inter-se pari passu on all present and future fixed assets including land, buildings,plant and machinery and a floating charge on other assets.
2. Term loan from HDFC is secured by equitable mortgage of the property of the employees who have taken advances from the company for acquiring house property.
3. Term Loans Rs. Nil (Rs.75.52 lakhs) were guaranteed by Government of Maharashtra.
4. Term loans include funded interest Rs. Nil (Rs.75.52 lakhs).
5. Due for repayment within one year Rs.3.47 lakhs (Rs.77.67 lakhs).

1.4 UNSECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
FROM SICOM LIMITED				
Interest free loan :				
For land	**9.20**		9.20	
For sales tax	**631.40**		636.18	
For Others	**58.00**		78.00	
(Due for repayment within one year Rs.84.48 lakhs (Rs.91.98 lakhs)).		**698.60**		723.38
Interest bearing loans	**0.00**		200.00	
Interest accrued and due	**16.92**		10.71	
		16.92		210.71
[Due for repayment within one year Rs.Nil (Rs.200.00 lakhs)].				
FROM HOLDING COMPANY [SAIL] :				
Interest bearing loans		**100.00**		0.00
TOTAL		**815.52**		934.09

1.5 DEFERRED PAYMENT ACCEPTANCE

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Acceptance under deferred payment arrangements on capital account	**58.68**	82.89
Less: Future Interest	**12.20**	20.92
TOTAL	**46.48**	61.97

NOTES:
1. Acceptances are guaranteed by a bank which is secured by hypothecation of specific machineries and counter guaranteed by the company.
2. Due for repayment within one year Rs.21.88 lakhs (Rs.24.21 lakhs).

1.6 FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31st March, 1996	Additions During the year	Sales/ Adjust-ments (Net)	**As at 31st March, 1997**	Up to 31st March, 1996	During the year	On Sales/ Adjust-ment (Net)	**Up to 31st March, 1997**	**As at 31st March, 1997**	As at 31st March, 1996
										(Rupees in lakhs)
Land - Frerhold	29.79	0.00	0.00	**29.79**	0.00	0.00	0.00	**0.00**	**29.79**	29.79
Building and Roads	556.45	119.37	0.00	**675.82**	273.09	14.64	(111.94)	**175.79**	**500.03**	283.36
Railway Sidings	108.58	0.00	0.00	**108.58**	82.11	9.35	0.00	**91.46**	**17.12**	26.47
Plant and Machinery	4,076.37	389.33	0.00	**4,465.70**	2,695.64	81.12	0.00	**2,776.76**	**1,688.94**	1,380.73
Tubewells	23.43	0.00	0.00	**23.43**	12.44	1.40	0.00	**13.84**	**9.59**	10.99
Furniture and Fixtures	125.76	0.26	0.00	**126.02**	83.40	10.83	(5.99)	**88.24**	**37.78**	42.36
Vehicles	35.56	0.00	0.00	**35.56**	22.51	5.11	(1.71)	**25.91**	**9.65**	13.05
Total	4,955.94	508.96	0.00	**5,464.90**	3,169.19	122.45	(119.64)	**3,172.00**	**2,292.90**	1,786.75
Previous Year Total	4,838.87	127.21	10.14	**4,955.94**	3,065.57	112.20	8.58	**3,169.19**	**1,786.75**	1,773.30

Notes:-
1. Plant and machinery includes assets discarded but not disposed off, cost Rs.1,747.61 lakhs (Rs.1,747.61 lakhs) and written down value Rs.779.88 lakhs (Rs.779.88 lakhs). No depreciation is provided on the above items during the year.
2. The amount of Rs.119.63 lakhs (Nil) under the column 'Depreciation on Sales/Adjustments' pertains to depreciation written back during the year on account of change in the method of depreciation. (Refer Note 2.2).

1.7 CAPITAL WORK-IN-PROGRESS

	As at 31st March, 1997	As at 31st March, 1996
	(Rupees in lakhs)	
Ferro alloy plant	**207.46**	74.14
Plant & Machinery	**16.37**	1.76
Advances(Unsecured, considered good)	**0.15**	0.15
TOTAL	**223.98**	76.05

1.8 INVESTMENTS

	As at 31st March, 1997	As at 31st March, 1996
	(Rupees in lakhs)	
In Government Securities (At cost, unquoted): National Savings Certificates	**0.52**	0.52
TOTAL	**0.52**	0.52

NOTE: Investments are lodged with Government authorities as securities.

1.9 INVENTORIES

(As taken, valued and certified by Management)

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Stores and Spares	**506.60**		518.95	
Add : In transit	**5.68**		1.37	
	512.28		520.32	
Less : Provision	**149.54**		110.23	
		362.74		410.09
Raw Materials :	**436.91**		578.93	
Add : In transit	**46.89**		27.64	
		483.80		606.57
Others		**54.59**		135.88
Finished products, by-products and scrap		**1,475.00**		605.07
TOTAL		**2,376.13**		1,757.61

1.10 SUNDRY DEBTORS (UNSECURED)

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
Debts due for more than six months	**173.53**		64.22	
Others	**1,848.25**		990.78	
	2,021.78		1,055.00	
Less : Provision for doubtful debts	**20.41**		20.40	
		2,001.37		1,034.60
		2,001.37		1,034.60
PARTICULARS				
Considered Good		**2,001.37**		1,034.60
Considered Doubtful		**20.41**		20.40
TOTAL		**2,021.78**		1,055.00
NOTE :				
Due from the Holding Company (Steel Authority of India Limited)		**1,858.01**		977.23
* Due from Indian Iron & Steel Co. Ltd.		**54.78**		NIL
* Due from Visvsevaraya Iron & Steel Ltd.		**40.12**		28.36

* Companies under the same management.

1.11 CASH AND BANK BALANCES

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Cash on hand	**1.08**	0.93
Cheques/Drafts on hand	**239.84**	104.29
With Scheduled Banks in :		
— Current Account	**8.74**	8.24
— Margin Money	**36.50**	8.50
TOTAL	**286.16**	121.96

1.12 INTEREST RECEIVABLE

	As at 31st March, 1997	As at 31st March, 1996
		(Rupees in lakhs)
Employees	**13.54**	0.00
Others	**30.02**	20.33
TOTAL	**43.56**	20.33

1.13 LOANS AND ADVANCES

		As at 31st March, 1997		As at 31st March, 1996
				(Rupees in lakhs)
(Unsecured, considered good unless otherwise stated)				
Loans to employees [Secured Rs.268.55 lakhs (Rs.221.82 lakhs)]		**276.08**		228.59
Advances recoverable in cash or kind or for value to be received :				
Claims recoverable	**101.53**		174.62	
Contractors and suppliers	**23.52**		270.35	
Employees	**10.74**		9.93	
Income tax deducted at source	**9.51**		1.47	
Income tax paid in advance	**43.19**		0.00	
Others	**320.59**		159.34	
	509.08		615.71	
Less : Provision for doubtful advances	**29.76**		14.40	
		479.32		601.31
Deposits :				
With Excise Authorities	**10.75**		9.99	
With MSEB and Others	**629.28**		545.51	
		640.03		555.50
TOTAL		**1,395.43**		1,385.40
i) Amount due from -				
— Directors		**NIL**		NIL
— Officers		**NIL**		NIL
Maximum amount due at any time —				
— Directors		**NIL**		NIL
— Officers		**NIL**		NIL
ii) Amount due from the Holding Company (SAIL)		**12.73**		17.22
Maximum amount due at any time during the year		**26.16**		29.16

SCHEDULES

1.14 CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 1997	As at 31st March, 1996
	(Rupees in lakhs)	
CURRENT LIABILITIES:		
Sundry Creditors :	**1,991.87**	1,320.23
Advances from Customers	**490.19**	64.67
Security Deposits	**65.68**	67.58
Unclaimed Dividend	**0.70**	0.46
Other Liabilities	**1,850.94**	882.80
	4,399.38	2,335.74
PROVISIONS :		
Gratuity & Accrued Leave	**217.58**	160.98
Income Tax	**42.00**	42.00
Proposed Dividend	**0.00**	25.00
TOTAL	**4,658.96**	2,563.72

1.15 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	Balance as at 01.04.96	Additions during the year	Total	Amount Charged off during the year	**Balance as at 31.03.97**
					(Rupees in lakhs)
Deferred Revenue Expenditure :- Furnace	49.88	0.00	49.88	49.88	**0.00**
Technical know-how Sinter plant	0.00	0.00	0.00	0.00	**0.00**
Total	49.88	0.00	49.88	49.88	**0.00**
Previous year	108.36	0.00	108.36	58.48	**49.88**

2.1 SALES

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Main Products	**16,977.75**	16,472.84
Others	**10.48**	1.78
TOTAL	**16,988.23**	16,474.62

2.2 ACCRETION / DEPLETION IN STOCK OF FINISHED GOODS

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Closing Stock	**1,475.00**	605.07
Less : Opening Stock	**605.07**	914.08
INCREASE/(DECREASE) TOTAL	**869.93**	(309.01)

2.3 INTEREST EARNED (GROSS)

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Employees	**20.92**	5.90
Others*	**34.19**	2.57
TOTAL	**55.11**	8.47

* Tax deducted at source Rs.7,48 lakhs (Rs.Nil).

2.4 OTHER REVENUES

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Social amenities-recoveries	**5.12**	4.40
Sundry Sales	**6.41**	13.40
Liquidated damages	**0.72**	2.66
Profit on sale of fixed assets	**0.00**	4.09
Profit on sale of surplus stores	**8.99**	0.03
Sundries	**73.46**	66.43
TOTAL	**94.70**	91.01

2.5 PROVISIONS NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Sundry Debtors	**0.00**	120.13
Others	**1.99**	71.09
TOTAL	**1.99**	191.22

2.6 RAW MATERIAL CONSUMED

	Year ended 31st March, 1997		Year ended 31st March, 1996	
	Quantity (Tons)	Rs./lakhs	Quantity (Tons)	Rs./lakhs
Manganese Ore	**210740**	**4,247.26**	228678	4,267.22
Coke	**54179**	**1,617.37**	61694	1,629.28
Miscellaneous		**363.53**		415.32
TOTAL		**6,228.16**		6,311.82

NOTE: Consumption of raw materials includes :

i) Rs.44.30 lakhs being abnormal shortages (Rs.66.44 lakhs)

ii) Sale proceeds of Rs.265.23 lakhs (Rs.373.14 lakhs).

2.7 EMPLOYEES, REMUNERATION AND BENEFITS

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Salaries and wages	**962.85**	776.98
Co's contribution to provident and other funds	**79.11**	60.98
Travel concession	**31.44**	37.00
Welfare expenses	**87.16**	76.38
Gratuity	**18.75**	14.38
TOTAL	**1,179.31**	965.72

2.8 POWER AND FUEL

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Power	**8,945.21**	7,550.31
Furnace oil	**0.00**	5.23
TOTAL	**8,945.21**	7,555.54

2.9 REPAIRS AND MAINTENANCE

	Year ended 31st March, 1997	Year ended 31st March, 1996
	(Rupees in lakhs)	
Buildings and roads	**4.78**	5.47
Plant and machinery	**7.85**	11.47
Others	**12.50**	15.23
TOTAL	**25.13**	32.17

2.10 OTHER EXPENSES AND PROVISIONS

		Year ended 31st March, 1997		Year ended 31st March, 1996
				(Rupees in lakhs)
Bank charges		25.89		23.94
Demurrage and wharfage		1.21		3.19
Excise duty on stock		113.16		0.00
Delayed Payment Charges - Power		134.25		0.00
Duty & Others - Power		199.17		0.00
Handling and scrap recovery-Contractors		258.37		246.26
Insurance		29.34		31.58
Legal charges		0.75		1.04
Loss on sale of fixed assets		0.00		0.16
Postage, telegram & telephone		19.29		23.59
Printing and stationery		11.96		11.90
Rates and taxes		39.78		16.51
Rent		10.43		7.95
Travelling expenses		66.30		63.03
Sundries		65.30		63.36
Remuneration to auditors:				
Audit fees	0.50		0.60	
Tax audit fees	0.20		0.22	
Out of pocket expenses	0.29		0.26	
In other capacity	0.02		0.00	
		1.01		1.08
Provisions :				
Doubtful debts	0.01		0.00	
Bad debts Others	16.29		0.00	
Diminuation in the value of materials	39.29		18.24	
		55.59		18.24
Write Offs :				
Sundry debtors	0.00		0.06	
Others	0.13		0.10	
		0.13		0.16
Deferred revenue expenditure charged off		49.88		58.48
TOTAL		1,081.81		570.47

2.11 INTEREST

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Debentures	0.00	0.83
Term loans	8.69	43.07
Cash credit	252.85	169.22
Power	36.03	0.00
Others	53.90	32.52
TOTAL	351.47	245.64

2.12 ADJUSTMENTS PERTAINING TO EARLIER YEARS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		(Rupees in lakhs)
Raw Material consumed	(13.53)	(116.56)
Stores and Spares	1.99	(3.49)
Employees' Remuneration and Benefits	1.05	0.00
Other Expenses and Provisions	0.02	4.20
Interest	1.08	2.92
TOTAL	(9.39)	(112.93)

Note: Figures in brackets indicate expenses

3. NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with the relevant presentation requirements of the Companies Act,1956. A summary of Significant Accounting Policies, which have been applied consistently are set out below :

1.1 ACCOUNTING CONVENTION

The financial statements are prepared under historical cost convention on accrual basis except as otherwise stated.

1.2 FIXED ASSETS:

All fixed assets are stated at historical cost less depreciation.

1.3 DEPRECIATION:

1.3.1 DEPRECIATION IS CHARGED ON THE FOLLOWING BASIS :

a) Depreciation is provided on straight line method with respect to the month of addition/ disposal of the respective assets.

b) Depreciation on following assets is based on the management's estimate of the useful life of the assets at the rates (which are higher than the rates prescribed in Schedule XIV to the Companies Act, 1956) shown against each item below:

Earth moving equipments	15%
Office Equipments	10%
Motor Cars	20%
Motor Buses, Trucks	15%
Furniture & Fittings	10%

c) Depreciation on other assets is provided as per the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

d) Assets cost whereof does not exceed Rs. 5000, has been provided as under:

Acquired prior to 01.04.1993	At the rates prescribed in Schedule XIV to the Companies Act, 1956.
Acquired after 31.03.1993	100%

1.3.2 Extra shift depreciation is provided treating a particular plant as one unit.

1.3.3 Adjustment to fixed-assets on account of fluctuations in foreign exchange rates are depreciated over residual life of assets.

1.3.4 When the asset is put to use for more than 15 days in a month, depreciation is charged for full month.

1.4 INVESTMENTS

Investments are valued at cost.

1.5 INVENTORY

Inventory is valued on the following basis :

Stores and spares	— Weighted average cost
Raw materials — Coke	— Weighted average cost
— Others	— First In First Out
Finished products	— Cost (including excise duty) or Net realisable value, whichever is lower
By products and process Scrap/Mn Ore fines/Coke rejects/steel process material	— Net realisable value
Sinters	— Replacement cost of Mn Ore

1.6 DEFERRED REVENUE EXPENDITURE

1.6.1 Expenses incurred on development of new projects, cost of feasibility studies for new projects, payment of technical know-how/documentation are treated as deferred revenue/ development expenditure and written off in five years.

1.6.2 Expenditure on relining of furnace is written off in three years.

1.7 CLAIMS FOR LIQUIDATED DAMAGES/ESCALATION

1.7.1 Claims for liquidated damages against the suppliers are taken as income when these are deducted from the suppliers' bills.

1.7.2 Suppliers' claims for price escalation are accounted for to the extent such claims are accepted by the Company.

1.8 RETIREMENT BENEFITS

The provision for gratuity liability and leave encashment liability towards the employees are provided on the basis of actuarial valuation.

1.9 PRIOR PERIOD INCOME/EXPENDITURE AND PREPAID EXPENSES

Income/expenditure relating to prior periods and prepaid expenses which do not exceed Rs. 5000 in each case are treated as income/expenditure of the current year.

1.10 SALES

1.10.1 Revenue is recognised on despatch of goods based on receipts of railway/other carriers unless the contract terms state otherwise.

1.10.2 Sales includes packing charges but excludes excise duty and sales tax.

1.11 EXCISE DUTY

Excise duty is provided on uncleared stock of finished goods at the year end.

1.12 INSURANCE CLAIMS

Revenue is recognised in the year of settlement of claims.

1.13 FOREIGN CURRENCY TRANSACTIONS

Loan balances and deposits in foreign currency are converted at the year-end market exchange rate.

Loss or gain on conversion of foreign currency liabilities incurred for liquisition of fixed assets is added to or deducted from the cost of respective assets and depreciation is adjusted prospectively.

2 GENERAL

2.1 During the year the Company has increased its authorised share capital from Rs. 10 crores to Rs. 20 crores and it has issued 50 lakhs shares of Rs. 10/- each to its holding company.

SCHEDULES

2.2 The Company has changed the method of depreciation with retrospective effect in respect of furniture & fixtures, office equipments, vehicles, buildings and roads from Written Down Value Method to Straight Line Method. In the case of vehicles, furniture & fixtures and office equipments the depreciation has been charged at the rates mentioned in the Note 1.3.1 (b) with retrospective effect which are higher than the rates prescribed under Schedule XIV to the Companies Act, 1956. As a result of these changes, the depreciation of Rs. 119.63 lakhs has been written back during the year.

2.3 In accordance with past practice inventories of bulk raw materials and finished goods have been taken as per weight-volume ratio as determined by the Production/Technical Department.

2.4 Inventory of finished goods at the year end was physically verified and the excess quantity of 55 MT (602MT) valued at Rs. 20.23 lakhs (Rs. 107.18 lakhs) has been accounted for.

2.5 The balances in accounts of Sundry Debtors, Sundry Creditors and Loans & Advances are subject to confirmation. The response to letters requesting confirmation of balances has been insignificant.

2.6 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 26.97 lakhs (Rs. 160.39 lakhs).

2.7 During the yea the Company has changed the method of accounting for the interest of loan to employees from the receipt basis to accrual basis with retrospective effect. As a result of this change an additional amount of Rs. 13.54 lakhs has been taken as interest income for the year and same has been shown as interest receivable in the Balance Sheet.

2.8 Previous year's figures have been rearranged/regrouped wherever necessary. Previous year's figures have been given in brackets.

3 **CONTINGENT LIABILITIES**

Contingent Liabilities not provided for :

1. Claims against the Company pending judicial decision Rs. 279.21 lakhs (Rs.53.41 lakhs).
2. Other claims against the Company not acknowledged as debts Rs. 636.87 lakhs (Rs.485.92 lakhs).
3. *Claims by certain employees and selling agents/contractors extent of claim is unascertainable.*

4.1 (a) **LICENSED, INSTALLED CAPACITY AND PRODUCTION :**

	*LICENSED CAPACITY [TONNES]	**INSTALLED CAPACITY [TONNES]	#PRODUCTION [TONNES]
High Carbon Ferro Manganese			59680 (58736)
Silico Manganese	100000 (100000)	100000 (100000)	27496 (30979)
Medium Carbon Ferro Manganese			902 (1473)

NOTE :

* *Re-endorsed capacity.*

\# Including Jigged Ferro / Silico Manganese and Metal dust & adjustment relating to excess/shortage on account of physical verification.

** As certified by Management and not verified by auditors, being a technical matter.

4.1 (b) **OPENING STOCK, SALES AND CLOSING STOCK :** [Qty.in MT, Value in Rs.lakhs]

	OPENING STOCK		SALES / ADJ		CLOSING STOCK	
	QTY.	VALUE	QTY.	VALUE	QTY.	VALUE
High Carbon Ferro	1927	363.80	58156	11421.70	3451	675.77
Manganese	(2496)	(419.22)	(59305)	(10137.56)	(1927)	(363.80)
Silico Manganese	1035	224.97	25501	5358.47	3030	672.25
	(2402)	(465.42)	(32346)	(5835.77)	(1035)	(224.97)
Medium Carbon Ferro	37	10.14	575	191.29	364	121.48
Manganese	(72)	(21.98)	(1508)	(491.89)	(37)	(10.14)
SUB TOTAL	2999	(598.91)	84232	16971.46	6845	1469.50
	(4970)	(906.62)	(93159)	(16465.22)	(2999)	(598.91)
Steel	30	5.58	—	—	30	5.50
	(30)	(4.45)	(—)	(—)	(30)	(5.58)
	—	0.58	—	16.77	—	0.00
Others	(—)	(3.01)	(—)	9.40	(—)	0.58
TOTAL		605.07		16988.23		1475.00
		(914.08)		(16474.62)		(605.07)

5. **EXPENDITURE IN FOREIGN CURRENCIES :** (Rs. in lakhs)

		CURRENT YEAR	PREVIOUS YEAR
i)	Travelling	**0.54**	0.76
ii)	Bank charges	**0.37**	0.27
iii)	Others	**0.47**	0.23
	TOTAL :	**1.38**	1.26

6. **EARNING IN FOREIGN CURRENCIES :** (Rs. in lakhs)

	CURRENT YEAR	PREVIOUS YEAR
Export of goods on FOB basis	**NIL**	172.04

7. **VALUE OF IMPORTS CALCULATED ON CIF BASIS :** (Rs. in lakhs)

	CURRENT YEAR	PREVIOUS YEAR
Stores & Spares	**8.13**	7.77

8. **VALUE OF IMPORTED & INDIGENOUS RAW MATERIALS, STORES & SPARES CONSUMED :**

	RAW MATERIALS CONSUMED				STORES & SPARES CONSUMED			
	Current Year		Prev. Year		**Current Year**		Prev. Year	
	Value (Rs. lakhs)	**%**	Value (Rs. lakhs)	%	**Value (Rs. lakhs)**	**%**	Value (Rs. lakhs)	%
Imported	—	—	—	—	**27.35**	**7.89**	44.12	12.30
Indigenous	**6228.16**	**100**	6311.82	100.00	**319.47**	**92.11**	314.71	87.70
TOTAL	**6228.16**	**100**	6311.82	100.00	**346.82**	**100.00**	358.83	100.00

9 **REMUNERATION TO EXECUTIVE DIRECTOR :** (Rs. in lakhs)

	CURRENT YEAR	PREVIOUS YEAR
Remuneration	**2.23**	2.42
Contribution to Provident Fund and Superannuation	**0.19**	0.19
TOTAL	**2.42**	2.61

SIGNATURE TO SCHEDULES 1 TO 3

As per our report of even date attached
FOR MUKUND M. CHITALE & CO.
Chartered Accountants

Sd/-
(MUKUND M. CHITALE)
Partner

Place : New Delhi
Dated : 27-05-97

Sd/-
(R. ASHOKKUMARR)
Company Secretary

Sd/-
(S. CHAKRAVARTHY)
Asstt.General Manager (F&A)

Sd/-
(A.K. JAYSWAL)
Executive Director

Sd/-
(V. GUJRAL)
Chairman

BALANCE SHEET ABSTRACT AND A COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	17402 of 1974-75	State Code	11 (Refer Code List)
Balance-Steet Date	31 (Date) 03 (Month) 97 (Year)		

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	50000

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	396109	Total Assets	396109

Sources of Funds

Paid-up Capital	100000	Reserve & Surplus	46575
Secured Loans	163334	Unsecured Loans	81552

Application of Funds

Net Fixed Assets	251688	Investments	52
Net Current Assets	144369	Misc.Expenditure	—
Accumulated Losses	—		

IV. Performance of company (Amount in Rs.Thousands)

Turnover	1698823	Total Expenditure	1828035
Loss Before Tax	16016	Loss After Tax	16016

(Please tick Appropriate box + for Profit - for Loss)

Earning per share in Rs.	—	Dividend Rate %	—

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code No.(ITC Code)
Product Description FERRO ALLOYS

FOR MUKUND M. CHITALE & CO. *Chartered Accountants*	Sd/- **(R. ASHOKKUMARR)** *Company Secretary*	Sd/- **(A.K. JAYSWAL)** *Executive Director*
Sd/- **(MUKUND M. CHITALE)** *Partner*	Sd/- **(S. CHAKRAVARTHY)** *Asstt.General Manager (F&A)*	Sd/- **(V. GUJRAL)** *Chairman*

Place : New Delhi
Date : 27-05-97

CASH FLOW STATEMENT

To,
The Board of Directors,
Maharashtra Elektrosmelt Limited,
Chandrapur - 442 401.

We have examined the attached Cash Flow Statement of Maharashtra Elektrosmelt Limited for the year ended 31st March,1997. The Statement has been prepared by the Company in accordance with the requirements of Listing Agreements Clause 32 with Mumbai & Ahamedabad Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 27.05.97 to the members of the Company.

For **Mukund M.Chitale & Co.**
Chartered Accountants
Sd/-
(M.M. CHITALE)
Partner

Date : 27.05.97
Place : New Delhi

	1996-97
	(Rs.in lakhs)
A. Cash Flow From Operating Activities	
Net Profit before tax and dividend	-160.16
Adjustment for :	
Depreciation	2.82
Foreign Exchange Loss	—
Investments Income	—
Interest and Finance Charges	351.47
Interest earned	55.11
Profit & Sale of Fixed Assets	0.00
Deferred Revenue Expenditure (Charged during the year)	49.88
Operating Profit before working capital change	299.12
Adjustment for :	
Inventories	-618.52
Sundry Debtors	-966.77
Interest Receivable/Accrued	-23.23
Loans and Advances — Subsidiary Companies	33.16
Loans and Advances — Others	—
Current Liabilities and Provisions	2120.24
Deferred Revenue Expenditure (Additions)	0.00
Cash Generated from Operations	0.00
Income taxes paid during the year	-43.20
Net Cash From Operating Activities	800.80
B. Cash Flow from Investing Activities	
Purchase of Fixed Assets	656.89
Sale of Fixed Assets	0.00
Interest and Finance Charges	351.47
Sale of Investments	—
Capital Reserves	—
Interest received	55.11
Net Cash used in Investing Activities	1063.47
C. Cash Flow from Financing Activities	
Proceeds from Issue of Share Capital	500.00
Proceeds from Borrowings	-48.13
Dividend Paid during the year	-25.00
Net Cash from Financing Activities	426.87
Net Increase in Cash & Cash Equivalents (A-B+C)	164.20
Cash & Cash Equivalents as on 31st March 1996	121.96
Cash & Cash Equivalents as on 31st March 1997	286.16
Net Increase/Decrease(-) in Cash & Cash Equivalents	164.20

SCHEDULES FOR THE YEAR		1996-97
		(Rs.in lakhs)
A. Depreciation		
Depreciation charged to P&L accounts	122.45	
Depreciation debited to adjustments	—	
Pertaining to earlier years	-119.63	
		2.82
B. Adjustments for Inventories		
Inventory as on 31st March 1996	1757.61	
Inventory as on 31st March 1997	2376.13	
		-618.52

SCHEDULES FOR THE YEAR (Contd.)		1996-97
		(Rs.in lakhs)
C. Adjustments for Sundry Debtors		
Sundry Debtors as on 31st March 1996	1034.60	
Sundry Debtors as on 31st March 1997	2001.37	
		-966.77
D. Adjustment for Interest Receivable/Accrued		
Interest Receivable/Accrued as on 31st March 1996	20.33	
Interest Receivable/Accrued as on 31st March 1997	43.56	
		-23.23
E. Adjustment for Loans and Advances — Subsidiary Companies		
Loans and Advances as on 31st March 1996	1385.40	
Loans and Advances as on 31st March 1997	1395.43	
		-10.03
F. Adjustment for Loans and Advances — Others		
Loans and Advances as 31st March 1996	—	
Loans and Advances as 31st March 1997	—	
		—
G. Adjustment for Current Liabilities and Provisions		
Current Liability as on 31st March 1997	4399.38	
Current Liability as on 31st March 1996	2335.74	
		2063.64
Provision as on 31st March 1997	259.58	
Less : Provision for taxation	42.00	
Less : Dividend Provision	0.00	
		217.58
Provision as on 31st March 1996	227.98	
Less : Provision for taxation	42.00	
Less : Dividend Provision	25.00	
		160.98
H. Purchase of Fixed Assets		
Addition to Fixed Assets	508.96	
Add : Capital WIP as on 31st March 1997	223.98	
Less : Capital WIP as on 31st March 1996	76.05	
		656.89
Less : Interest and Finance Charges charged to EDC	—	
Less : Depreciation charged to EDC	—	
Add : Interest earned credited to EDC	—	
I. Sale of Fixed Assets		
Sales of Assets during the year	0.00	
Profit on sale of Fixed Assets	0.00	
Add : Depreciation on Assets sold	0.00	
		0.00
J. Interest and Finance Charges		
Interest and Finance Charges charged to P&L	351.47	
Interest and Finance Charges charged to EDC	—	
	—	351.47
K. Capital Reserves		
Interest earned credited to P&L	15.00	
Interest earned credited to EDC	15.00	
		0.00
L. Proceeds from Borrowings		
Total Borrowings as on 31st March 1997	2495.34	
Total Borrowings as on 31st March 1996	2543.47	
		-48.13

As per our report of even date attached

Sd/—
For MUKUND M. CHITALE & CO.
Chartered Accountants

Sd/—
(A.K. JAYSWAL)
Executive Director

Place : New Delhi
Dated : 27-05-97

AUDITORS' REPORT

To

The Members of Maharashtra Elektrosmelt Ltd.

We have audited the attached Balance Sheet of Maharashtra Elektrosmelt Ltd. as at 31st March, 1997 and the annexed Profit and Loss Account of the Company for the year ended on that date and report that.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Company Law Board and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of our audit, we enclose in the Annexure a statement on the matters specified in the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that

   a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

   b) In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of such books.

   c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

3. The attention is invited to

   i) Note 2.2 regarding change in the method of depreciation in respect of furniture & fixtures, office equipments, vehicles, buildings & roads and

   ii) Note 2.7 regarding the change in the method of accounting for the interest on loan to employees.

4. We further report that in our opinion and to the best of our information and according to the explanations given to us the said accounts together with the Notes appearing in Schedule 3 and elsewhere in the accounts give the information required by the Company's Act, 1956 in the manner so required and give a true and fair view:

   a) In case of Balance Sheet of the state of affairs of the company as at 31st March 1997 and

   b) In case of Profit & Loss Account of the Loss of the company for the year ended on that date.

For Mukund M. Chitale & Co.
Chartered Accountants

Sd/-
(M. M. CHITALE)
PARTNER.

Place : New Delhi
Date : 27.05.97

Annexure to the Auditors Report

(Referred to in paragraph 1 of our report of even date)

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

   b) The fixed assets of the company have been physically verified by the Management during the year in accordance with a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The comparison with the book records is in progress and the discrepancies, if any, are yet to be ascertained.

2. The fixed assets of the company have not been revalued during the year.

3. The stock of finished goods, stores, spare parts and raw materials have been physically verified at year end and the shortages has been adjusted in the accounts.

4. In our opinion and according to the information and explanations given to us the procedure of physical verification of stocks followed by the management are generally reasonable and adequate in relation to the size of the company and nature of its business.

5. The discrepancies between the physical stocks and book records arising out of physical verification have been properly dealt with in the books of accounts.

6. In our opinion and on the basis of our examination of the valuation of stocks, such valuation is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.

7. The company has taken an unsecured loan from its holding company i.e. Steel Authority of India Limited and no terms and conditions have been stipulated for the same, hence the question of the terms and conditions to the loan being prima facie prejudicial to the interest of the company does not arise. Apart from this, the company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

8. The company has not given any loan secured or unsecured to companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act, 1956 and/or to the companies under the same management under Sub-Section (1B) of Section 370 of the Companies Act, 1956.

9. Loans and advances in the nature of loans have been given by the company to the employees. Recovery of principal and interest on such loans have been made regularly.

10. In our opinion and according to the information and explanations given to us during the course of the audit, there are generally adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of raw materials, stores including components, machinery, equipments and other assets and for the sale of goods.

11. In our opinion and according to the information and explanations given to us and on the basis of test checks carried out by us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements required to be listed in the register to be maintained under section 301 of the Companies Act, 1956 and aggregating to Rs. 50,000/- or more during the year in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services has been made with other parties.

12. As explained to us the company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and accordingly adequate amounts have been written off or provided for in the accounts.

13. The company has not accepted deposits during the year from the public within the meaning of the provisions of section 56A of the Companies Act, 1956, and the rules made thereunder.

14. In our opinion reasonable records have been maintained by the company for the sale and disposal of the scrap and by-products.

15. In our opinion, the company's internal audit system is commensurate with the size and nature of its business.

16. The company has not been required to maintain the cost records under section 209(1)(d) of the Companies Act, 1956.

17. According to the records of the company, Provident Fund dues have been regularly deposited during the year with the appropriate authorities. As informed to us, the Employee's State Insurance Act is not applicable to the company.

18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty, which have remained outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable.

19. According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

20. The company is not a sick industrial company within the meaning of clause (O) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For Mukund M. Chitale & Co.
Chartered Accountants

Sd/-
(M. M. CHITALE)
PARTNER.

Place : New Delhi
Date : 27.05.97

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LTD. FOR THE YEAR ENDING 31ST MARCH 1997.

COMMENTS	MANAGEMENT'S REPLIES
A. BALANCE SHEET	
1. Inventories (Sch. 1.9)	
Stores & Spares Rs. 506.60 lakhs	
This includes Rs. 262.59 lakhs being the value of Non-moving stores & spares (Rs.183.75 being the stores and spares of steel making plants and Rs. 78.84 lakhs being other non-moving stores and spares). As per the policy of the Company consistently followed, 100% of the value of Non-moving stores & spares is being provided in the accounts by charging off to Profit & Loss Account. However, the Company made a provision of Rs. 149.54 lakhs only as against a total Non-moving stores and spares valuing Rs. 262.59 lakhs, resulting in short provision of Rs. 113.05 lakhs. This has resulted in understatement of loss for the year by Rs.113.05 lakhs and overstatement of inventories by similar amount	Stores & Spares item which may have not moved for 5 years or more need not become surplus/obsolete and may be required to be retained for proper upkeep/ maintenance of the plant. It may not be prudent to make full provision against such items. However, to fall in the line with the accounting policy/practice followed by SAIL, provision against obsolete/surplus items and non-moving items for 5 years or more, has been made @ 75% and 10% of book value respectively and charged to revenue.
2. Sundry Debtors (Sch. 1.10) : Rs. 2001.37 lakhs	
The above debtors are after providing for an amount of Rs.20.41 lakhs towards doubtful debts. The sufficiency or otherwise of the provision is not susceptible of verification because of non reconciliation of records of the company with those of the SAIL plants	Provision for doubtful debts of Rs.20.41 lakhs does not include any item pertaining to SAIL. The reconciliation of accounts with SAIL plants is a continuous process. Balances upto December '96 were reconciled during 96-97. Further reconciliation shall be carried out in the current year.
3. Loans & Advance (Schedule 1.13)	
Others - Rs.320.59 lakhs	
This includes Rs.227 lakhs being the income tax paid during Feb & March 97 for the year 1992-93. The company has received a notice during the year for payment of Rs.356.12 lakhs as income tax payable for the year 1992-93 including interest and penalty. The company however paid Rs. 227.80 lakhs and for the balance amount of Rs.128.32 lakhs, it had gone for appeal for rectification. Since the company has itself computed the tax payable as Rs. 227.80 lakhs and gone in for rectification of tax only to the extent Rs.128.32 lakhs, payment of Rs.227.80 should have been charged to P&L account instead of debiting to Advances account.	Based on Company's appeal to the Commissioner of Income Tax (Appeals) for Assessment Year 92-93, the assessment has been disposed of in favour of the company. There is no income tax liability for the Assessment Year 92-93.
4. Deposits with MSEB and others :	
Rs. 629.28 lakhs	
The Government of Maharashtra has refunded an amount of Rs.22.76 lakhs to MEL towards Electricity Duty for the year 1981-82 to 1993-94. This amount was refunded by Government to MSEB instead of MEL. The MSEB had adjusted this amount in the books towards the dues from MEL for the period 1993-94 and 1994-95. It is noticed from the accounts of MEL 1996-97 that, eventhough, the amount was already adjusted by MSEB, this amount was shown as security deposit and shown under Loans & Advances.	MSEB have asked for Additional Security Deposit of Rs.5.77 crores based on average electricity bills for one year. MEL has paid 18 monthly instalments of Rs.28.85 lakhs and the balance to be adjusted against refund of electricity duty. MEL has to receive Rs.113.15 lakhs from MSEB towards refund of Electricity Duty which was requested by MEL to be adjusted against the additional security deposit. Refund of electricity duty of Rs.22.76 lakhs has been correctly accounted for by MEL.
B. PROFIT AND LOSS ACCOUNT	
5. Schedule 2.1	
Sales : Rs. 16988.23 lakhs	
a) This includes an amount of Rs.252.93 lakhs being the sales booked by MEL for difference between stencil tare weight and actual tare weight for the suppliers of FeMn/SiMn made to SAIL plants during the period January 1996 to September 1996. The above weight difference were not certified by Railway Authorities as required by Acceptance of Tender conditions No.19(A)(iv) which stipulated that "for wagons where the tare weight has been certified by the railways, the same should be taken into account for determining the weight, instead of the marked tare weight".	MEL has been retaring the wagons for all the despatches to steel plants and the retaring of wagons was allowed by Railways till 31st December'95. Eventhough MEL was retaring the wagons at its siding, the Railways were not certifying the same. MEL was certifying the retaring of wagons. On taking up the matter, Railways restored the facility w.e.f. September'96 and was certifying the same. In regard to retaring of wagons for the period from January'96 to September'96 the matter was taken up with BSP which has acknowledged the receipt. Hence sales have been correctly accounted for.
As per Accounting Standard (9) i.e. "Revenue Recognition" issued by Institute of Chartered Accountants of India, which is mandatory, (Clause 5 and 10), the revenue arising on a transaction is usually determined by the agreement between the parties involved in the transaction and if at the time of raising and any claims it is unreasonable to expect ultimate collecting revenue recognition should be postponed.	
As the A/T terms does not provide for the payment based on Actual Tare weight which is not certified by Railway authorities the booking of the same to sale is not correct. The same should have been booked in the year in which it is realised. Due to including the same in sale in contravention of AS(9), the loss for the year is under stated by Rs. 252.93 lakhs and sales for the year is overstated by Rs.252.93 lakhs.	

COMMENTS	MANAGEMENT'S REPLIES
b) This includes an amount of Rs.98.60 lakhs being the bills raised on Bokaro Steel Plant for the difference between Actual Tare weight and Stencil Tare weight for the FeMn suppliers made during 1994-95 & 1995-96 (upto December 1995) As the Bokaro Steel Plant was not agreeing for releasing the payment based on Actual Tare weight, a meeting was held on 02.03.96 wherein it was decided that past cases i.e., 1994-95 & 1995-96 will be put up to management for approval. It was seen that the same has not been approved by the Bokaro management till Finalisation of Accounts (i.e.17.04.97). The A.S.(9) "Revenue Recognition" also states that "if at the time of raising of any claim it is unreasonable to expect ultimate collection, revenue recognition should be postponed". As the realisation of the above was not certain till the finalisation of Account and also the same was not accounted for by the company during 1995-96 accounts the company should have accounted the same during the year in which it is realised. Thus due to accounting of sale, realisation of which is not certain the sale for the year is overstated and loss for the year is understated by Rs.98.60 lakhs.	Boakro Steel Plant has confirmed and have raised Goods Acceptance Note. Hence the sales have been correctly accounted for.
6) Other Expenses & Provision (Schedule 2.10) **Sundries Rs.65.30 lakhs** The above does not include Rs. 4.53 lakhs being required fee payable to register of companies towards increase in authorised share capital from Rs.10.00 crores to Rs.20.00 crores. The company, eventhough paid Rs.2.00 lakhs to the Superintendent of Stamps in March 1997 towards stamp duty required for increasing the authorised capital and accounted for the same under share transfer expenses, the fee of Rs. 4.53 lakhs payable to Registrar of companies has not been provided in the accounts. As all the formalities for increasing the authorised share capital have been completed and the increase has also been given effect to in the accounts the related expenses should have been fully provided during 1996-97.	Noted. However the fees of Rs.4.53 lakhs paid in April'97 has been accounted for in 1997-98.

sd/-
(SANJEEV SALUJA)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board -I

Place : Mumbai
Date : 17.07.97

sd/-
(V. GUJRAL)
Chairman

Place : Bhilai
Date 23.07.97

REVIEW OF ACCOUNTS

REVIEW ON THE ACCOUNTS OF MAHARASHTRA ELEKTROSMELT LIMITED FOR THE YEAR ENDED 31ST MARCH,1997 BY COMPTROLLER AND AUDITOR GENERAL OF INDIA

Note : Review of Accounts has been prepared without taking into account comment under Section 619(4) of the Companies Act, 1956 and qualification contained in the Statutory Auditors Report.

1. FINANCIAL POSITION:

The table below summarises the financial position of the company under the broad headings for the last 3 years:-

	1994-95	1995-96	1996-97
			(Rs. in lakhs)
LIABILITIES			
a) Paid up Capital			
i) Government	500.00	500.00	**1000.00**
ii) Including deposits awaiting allotment			
b) Reserve and Surplus			
i) Free Reserve & Surplus	409.79	533.78	**450.75**
ii) Share premium accounts			
iii) Capital Reserves			
iv) Commited Reserves	92.13	92.13	**15.00**
c) Borrowings			
i) From Govt. of India	—	—	—
ii) From Financial Institutions	1392.35	1159.23	**890.84**
iii) Foreign currency loan	—	—	—
iv) Cash Credit	1249.65	1373.34	**1487.43**
v) Others	615.26	—	**100.00**
vi) Interest accrued and due	21.60	10.90	**17.07**
d) i) Current Liabilities & Provisions	1961.89	2402.74	**4441.38**
ii) Provision for Gratuity	151.83	160.98	**217.58**
Total	6394.50	6233.10	**8620.05**
ASSETS			
e) Gross Block	4838.87	4955.94	**5464.90**
f) (Less) Depreciation	3065.57	3169.19	**3172.00**
g) Net Block	1773.30	1786.75	**2292.90**
h) Capital work-in-process	28.48	76.05	**223.98**
i) investments	0.52	0.52	**0.52**
j) Current Assets, Loans and Advances	4483.84	4319.90	**6102.65**
k) Misc. expenditure to the extent not written off	108.36	49.88	—
l) Accumulated loss			
Total	6394.50	6233.10	**8620.05**
m) Working Capital [(i-d(i)-c(vi)]	2500.35	1906.26	**1644.20**
n) Capital employed [g+m]	4273.65	3693.01	**3937.10**
o) Net Worth [a+b(i) + b(ii)-k-l]	801.43	983.90	**1450.75**
p) Net Worth per rupee of paid up capital in Rs.	1.60	1.97	**1.45**

2. RATIO ANALYSIS

Some important financial ratios on the financial health and working of the company at the end of last three years are as under.

	1994-95	1995-96	1996-97
			(In percentage)
(A) Liquidity ratio Current assets to current liabilities	209.98	167.78	**130.51**
(B) Debt Equity Ratio	4.09:1	2.58:1	**1.72:1**
(C) Profitability Ratio			
a) Profit before tax to			
i) Capital employed	3.67	5.17	—
ii) Net worth	19.56	19.41	—
iii) Sales	1.33	1.16	—
b) Profit after tax to equity	31.35	29.80	—
c) Earning per shate (in rupees)	3.13	2.97	—

3. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.818.66 lakhs were generated and utilised during the year as given below:

Sources of Funds				*(Rs. in lakhs)*
Increase in Share capital				**500.00**
Decrease in Working capital				**318.66**
Total				**818.66**
Application of funds				
Funds applied to business			160.16	
Loss as per P/L account less depreciation	122.45			
Depreciation written back	119.64			
		2.81		
Deferred revenue Expenditure written off		49.88	52.69	
				107.47
Addition to Fixed Assets (excluding equipments)				**508.96**
Increase in capital WIP				**147.93**
Decrease in Borrowing				**54.30**
Total				**818.66**

4. Working Capital

The working results for the last three years are given below :

(Rs. in lakhs)

	1994-95	1995-96	1996-97
1. Sales	11830.35	16474.62	**16988.23**
2. Loss	156.77	190.99	**(160.16)**
3. Percentage of Profit/Loss to			
a. Sales	1.33	1.16	**0.94**
b. Capital employed	3.67	5.17	**4.07**
c. Equity Capital	31.35	38.2	**16.01**

6. Inventory Level

The inventory level at the end of the three years upto 1996-97 are given below:

	1994-95	1995-96	1996-97
i) Raw materials under processing	664.78	742.45	**538.39**
ii) General Spare parts	484.27	410.09	**362.74**
iii) Stock under process	—	—	—
vi) Finished products	914.08	605.07	**1475.00**

Note : Increase in Stock of finished products was mainly due to generation of excess fines as compared to earlier years.

7. Sundry Debtors

The position of Sundry Debtors vis-a-vis sales for the last three years ending 31st March 1997 stood as follows:

As on 31st March	Sundry Debtors Considered good	Sundry Debtors Considered doubtful/bad	Total	(Rs. in lakhs) Sales (excluding subsidiary & including excise duty)	% of Sundry Debtors to sales
1995	1490.68	140.52	1631.20	13604.90	11.29
1996	1034.60	20.40	1055.00	18945.81	5.57
1997	**2001.37**	**20.41**	**2021.78**	**19536.46**	**10.35**

Sd/-
(SANJEEV SALUJA)
Principal Director of Commercial Audit & Ex-officio Member, Audit Board - I

Place : Mumbai
Date : 17.7.97

ANNUAL REPORT
1996-97

VISVESVARAYA IRON & STEEL LIMITED

DIRECTORS' REPORT

To

The Members,

The Directors have pleasure in presenting their Thirty Sixth Annual Report of the Company together with Audited Accounts for the year ended 31st March 1997.

FINANCIAL REVIEW

During the year, the Company has recorded a turnover of Rs.243.35 crores as against Rs.211.19 crores (excluding Rs.55.36 crores relating to trial run period) during 1995-96 for depreciation and interest. Slackening demand for alloy steels and pig iron in the market, higher imports of alloy and special steel, continuing liquidity crunch, substantial input cost escalations including of power, fuel and freight coupled with frequent power cuts and peak hour restrictions are some of the major factors responsible for the loss.

The Company had been registered with BIFR as a potentially sick Company under Section 23 of Sick Industrial Companies Act (SICA). Arising out of discussions in the hearings of BIFR, several measures have been taken to improve the performance of the Company. The capital base of the Company was strengthened by increasing the authorised share capital from Rs.200 crores to Rs.300 crores during the year. Out of the additional authorised capital, Rs.75 crores was offered to the existing Shareholders as a right issue. While SAIL has accepted its share of Rs.49.50 crores, Government of Karnataka (GOK) did not exercise its option. In view of this, the paid up capital of the Company as at the end of the financial year stood at Rs.249.50 crores.

Government of India has approved takeover of VISL by SAIL and consequently a Memorandum of Understanding (MOU) has been signed on 17th April 1997 between the Holding Company SAIL and GOK. GOK has since transferred their entire share holding in VISL i.e. 6,77,66,750 equity shares to SAIL and VISL has become a wholly owned Subsidiary of SAIL on 23rd May 1997. GOK has also extended some concessions/reliefs, such as exemption from Sales tax on pig iron for a period of four years and finished and semi- finised goods of iron and steel for a period of three years with effect from 21st June, 1997, waiver of interest and penal charges on dues of KEB etc. Steps for merger of VISL with SAIL are in progress under Section 396 of the Indian Companies Act.

Govt. of India's approval dated 15.4.97 envisages relief to SAIL from the Steel Development Fund, towards accumulated losses of VISL estimated at Rs.248 crores as on 31.3.1997 based on audited accounts. Accumulated losses upto 31.3.1996 being a sum of Rs.14893.94 lakhs have been written off in the books of the Company against loans from SAIL. Further adjustment on this account covering losses for the year 1996-97 based on audited accounts will be made in 1997-98.

As a consequence of all these, at the BIFR hearing in May 1997, the Company has been delisted from BIFR.

PRODUCTION REVIEW

The Company produced 180 thousand tonnes of hot metal and 51.6 thousand tonnes of Pig Iron, 60.7 thousand tonnes of alloy and special steels and 7.6 thousand tonnes of Ferro Silicon during the year. Since pig iron prices fell considerably due to intense competition and imports, the Company had to cut back the production of Blast Furnace by nearly 50%. Production of ferro silicon was also reduced to 50% due to power cuts imposed by Karnataka Electricity Board and high cost of power.

SALES & MARKETING

Owing to stiff competition, increase in imports and acute liquidity crunch, 1996-97 was a difficult year for the alloy steels industry as a whole. Despite this, during the year, the Company marketed 56 thousand tonnes of Alloys and Special Steels and 49 thousand tonnes of pig iron. The Company also executed an export order to Zambia worth over Rs.2 crores during the year.

TOTAL QUALITY PROCESS

During the year under report, the Company made vigorous efforts and received accreditation to ISO-9002 for its rolled route also including Blast Furnace on 1.4.97. With this, the entire route for production of alloy & special steels and pig iron has acquired the ISO-9002 accreditation. VISL has also received the National Quality Award from the Indian Institute of Metals during the year.

CAPITAL SCHEMES

The Ferro Silicon 'A' Furnace which was under modernisation is nearing completion and it will be commissioned based on power availability arising out of the turn around strategy. Centre for Engineering and Technology (CET) of SAIL has recommended a short term investment of Rs.19.92 crores in order to (a) increase the productivity of BOF shop; (b) improve the yield from liquid to salesable steel, product quality and (c) reduction in cost and energy consumption. The scheme is under implementation.

Further, to effectively utilise the surplus BF gas, both VISL and SAIL Boards have approved an investment of Rs.21.69 crores for a dual fuel 7.5 MW power plant to VISL. The scheme has been undertaken for implementation with CET, SAIL as the Consultant for the Project.

HUMAN RESOURCES MANAGEMENT

Total manpower of the Company as on 31st March 1997, was 5656 comprising of 517 executives and 5139 non- executives. Percentage of SC/ST to total employment was 13.09% approximately. The Company continued to give stress on imparting training to both executives and non-executives and accordingly about 4092 employees were given training under various Training programmes. "Turn-around strategy" programmes for Senior Management was also conducted by Centre for organisation Development, Hyderabad, for 33 executives.

With a view to reduce the surplus manpower, the Company has been taking several measures and accordingly under Voluntary Retirement Scheme, 379 employees comprising of 38 Executives and 341 Non-executives were given Voluntary Retirement during the year for which funds were received from the National Renewal Fund amounting to Rs.13.50 crores.

Industrial relations continued to be cordial during the year.

OFFICIAL LANGUAGE POLICY

The Company has taken vigorous steps to implement the Official Language Policy of the Government. Many of the employees have joined the Correspondence Course in Hindi started by the Holding Company, SAIL. Suitable awards are given to all employees who pass the various examinations in Hindi conducted by SAIL.

EMPLOYEE'S WELFARE

During the year, the Company spent an amount of Rs.5.10 crores on employees' Welfare like maintenance of houses, education, medical, social, cultural, co-operative etc. Sports activities were given impetus during the year.

EXPENDITURE ON GUEST HOUSE AND PUBLICITY

The expenditure on Publicity and Guest houses was Rs.1.60 lakhs, and Rs.6.56 lakhs respectively during the year.

AUDITORS'S REPORT

The statutory Auditors Report on the Accounts of the Company for the financial year ended 31st March 1997 along with Management's replies are enclosed at Annexure-I. The comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 along with review on the accounts of the Company for the year ended 31st March, 1997 and Management's replies thereto are placed at Annexure -II.

GENERAL

Information in accordance with the provisions of Section 217(1) of the Companies Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo is given in Annexure-III to this report.

Information on particulars of Employees for the year 1996-97 as required under Section 217 (2A) of the Companies Act, 1956 was Nil.

DIRECTORS

At the 35th Annual General Meeting of the Company held on 24th July 1996 Shri M.C.Satyawadi and Shri B.K. Bhattacharya retired by rotation and were re-appointed.

In pursuance of Article 94 of the Articles of Association of the Company, Shri R.Parameswar being longest in office is liable to retire by rotation at the ensuing AGM and is eligible for re-appointment.

Shri N. Viswanathan, Principal Secretary, Commerce & Industries Department, Government of Karnataka, joined as Additional Director with effect from 2.8.1996.

Shri M.K. Moitra, Director (Corporate Planning), SAIL, joined as Additional Director with effect from 1.1.1997.

Shri A.K. Singh, Director (Personnel), SAIL, joined as Additional Director with effect from 14.01.1997 and ceased to be a Director with effect from 23rd June 1997.

Shri Naresh Narad, Joint Secretary, Ministry of Steel, Government of India, joined as Additional Director with effect from 11.3.1997.

Shri M.C.Satyawadi, Principal Secretary, Govt. of Karnataka, ceased to be a Director with effect from 2.8.1996.

Shri M.R.R. Nair, Chairman, VISL ceased to be a Director with effect from 1.12.1996.

Shri P.N. Singh, Director (Personnel), SAIL, ceased to be a Director with effect from 1.12.1996.

Shri Anil Kumar, Jt. Secretary, Govt. of India, ceased to be a Director with effect from 31.1.1997.

Dr. B.N. Singh, Director (Personnel) SAIL, joined as Additional Director with effect from 23.6.1997.

Shri J. Bakshi, Executive Director, VISL ceased to be Director with effect from 30th June 1997.

Shri G.K. Sinha, Executive Director, VISL was appointed as Director with effect from 1st July 1997.

ACKNOWLEDGEMENT

The Board of Directors take this opportunity to express their deep sense of appreciation and gratitude to the Government of Karnataka, Karnataka Electricity Board, Consortium of Bankers, Suppliers, Customers and Auditors for their co-operation. They also wish to acknowledge the continued support and guidance received from the different wings of Government of India in the Ministry of Steel, Steel Authority of India Limited and C&AG of India. The Directors wish to place on record their appreciation for the support and co-operation extended by all employees of the Company.

For and on behalf of the
Board of Directors

Sd/-
(Arvind Pande)
Chairman

Place: New Delhi
Date : 25th July, 1997

ANNUAL ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

1 Fixed Assets

1.1 Where actual cost of fixed assets cannot be accurately ascertained, such assets are intially capitalised on the basis of estimated costs and adjustments for costs and depreciation are made on ascertainment of actual costs.

1.2 Expenditure incurred by the company towards construction/development of assets on land owned by others and lease-hold land is capitalised under suitable assets account.

1.3 Capital profits on sale of fixed assets upto Rs.50,000 are reckoned as revenue.

1.4 Fixed assets sold/discarded for which no breakup value of original cost are available, the same have been reckoned at sale/salvaged value.

1.5 Direct expenses incurred during the construction of projects are classified as expenditure during construction and allocated to various projects in proportion to the capital expenditure incurred on such projects.

1.6 The expenses incurred and income earned during trial operation period are capitalised after netting the expenses and income.

2 Depreciation

2.1 Depreciation on Fixed Assets is charged on Straight line method at the rates provided in Schedule XIV to the Companies Act, 1956.

2.2 Depreciation is charged on Roads, Drains & Culverts only from 1.4.83.

2.3 Fixed Assets costing Rs.5,000/- and less are depreciated in full.

3 Inventories

3.1 Semi/Finished products other than excavated skull scrap are valued at lower of cost or net realisable value. In the absence of ascertained cost, excavated skull scrap is valued at net realisable value.

3.2 Cost of semi/finished products is determined on the basis of average cost of production of the last twelve months.

3.3 For the purposes of arriving at the lower of cost or net realisable value of Ingots, the net realisable value is taken at 75% of the sale price of finished products.

a) In the case of semis, realisable value is arrived at by applying the ratio of finished products net realisable value and its cost, to the cost of semi-finished product.

b) Stores and spares are valued at weighted average cost except Medical and Canteen Stores which are valued at cost. However, in the case of stores and spares declared surplus and stores and spares not moved for five years or more, provision is made at 75% and 10% of book value respectively and charged to revenue.

c) The Internally generated scrap is valued at weighted average price of the Purchased scrap as adjusted by the value of known alloy content.

4 Deferred Revenue Expenditure

Expenditure on Voluntary Retirement Compensation is treated as deferred revenue expenditure and is written off in five years.

5 R & D Expenditure

Research and Development Expenses is charged to Profit and Loss account in the year of incurrence.

6 Claims for Liquidated Damages/Escalations

Supplier's claims for price escalation are accounted for to the extent such claims are accepted by the Company.

7 Adjustments Pertaining to Earlier Years

Income/expenses relating to earlier years in the nature of commisions and ommissions which do not exceed Rs.50,000/- in each case are treated as income/expenses of the current year.

8 Sales

The materials sold on FOR destination basis are treated as sales when goods are delivered to the Transport Carriers.

9 Retirement Benefits

9.1 The provision for gratuity liability is made on the basis of actuarial valuation as on the date of balance sheet.

9.2. Leave encashment liability as on the date of the balance sheet is provided on actuarial valuation by spreading the same over the expected service period.

10. Grants-in-Aid

10.1 Grants-in-aid received against Capital cost of fixed assets are credited to capital reserve and are written back to profit and loss account pro-rata to the depreciation of the corresponding fixed assets. Grants-in- aid received towards salary of staff of educational institutions are included in other income and related costs are included in employees remuneration and benefits.

10.2 Grants-in-aid received from National Renewal Fund for Voluntary Retirement is netted off under employee's remuneration and benefits.

11. Investments

11.1 Investments held by the company are long term investments and are carried at cost.

11.2. Dividends received from investments have been disclosed under other revenues.

Sd/-	Sd/-	Sd/-	Sd/-
(P. GUPTA)	**(R. SRINIVASAN)**	**(J. BAKSHI)**	**(V.S. JAIN)**
General Manager (Finance & Accounts)	*Company Secretary*	*Executive Director*	*Director*

For Hariharan Narayan & Co	For Madhavan & Co
Chartered Accountants	*Chartered Accountants*
Sd/-	Sd/-
(K. SACHITANAND)	**(S. SAMPATH KUMAR)**
Partner	*Partner*

Bangalore
Date: 30.6.1997

BALANCE SHEET

AS AT 31ST MARCH, 1997

	Schedule No.		As at 31st March, 1997		As at 31 March, 1996
					(Rs./Lakhs)
A. SOURCES OF FUNDS :					
Shareholders' Funds:					
Share Capital	1.1	24950.00		20000.00	
Reserves and Surplus	1.2	571.36	25521.36	573.34	20573.34
Loan Funds:					
Secured Loans	1.3	5653.38		5186.98	
Unsecurecd Loans:	1.4	12506.98	18160.36	22858.04	28045.02
TOTAL (A)			43681.72		48618.36
B. APPLICATION OF FUNDS:					
Fixed Assets:					
Gross Block	1.5	26028.00		26205.03	
Less: Depreciation		10027.80		9022.88	
Net Block		16000.20		17182.15	
Capital Work-in-Progress	1.6	2064.68	18064.88	1895.74	19077.89
Investments:	1.7		2.55		2.55
Current Assets, Loans & Advances:					
Inventories	1.8	17569.85		16566.05	
Sundry Debtors	1.9	5198.96		5692.63	
Cash & Bank Balances	1.10	275.20		247.25	
Other Current Assets:					
Interest Receivable/Accrued	1.11	23.53		81.99	
Loans & Advances:					
Karnataka Power Corp Ltd		5987.99		4496.21	
Others	1.12	2190.31		2327.27	
		31245.84		29411.40	
Less: Current Liabilities & Provisions:					
Current Liabilities	1.13	13292.52		13783.42	
Provisions	1.14	2433.84		1127.42	
Other Liabilities:					
Deferred Tax		84.52		8.71	
		15810.88		14919.55	
Net Current Assets			15434.96		14491.85
Phased out plant	1.15		2.16		12.51
Miscellaneous Expenditure					
to the extent not written off or adjusted)	1.16		—		139.62
Profit & Loss Account(Loss)	1.17		10177.17		14893.94
TOTAL			43681.72		48618.36
Notes on Accounts	3				

Schedules 1 to 3 & Accounting Policies attached form part of the Accounts

For and on behalf of the Board of Directors
Visvesvaraya Iron and Steel Limited

Sd/-	Sd/-	Sd/-	Sd/-
(P. GUPTA)	**(R. SRINIVASAN)**	**(J. BAKSHI)**	**(V.S. JAIN)**
General Manager (Finance & Accounts)	*Company Secretary*	*Executive Director*	*Director*

As per our Report attached

For Hariharan Narayan & Co	For Madhavan & Co
Chartered Accountants	*Chartered Accountants*
Sd/-	Sd/-
(K. SACHITANAND)	**(S. SAMPATH KUMAR)**
Partner	*Partner*

Bangalore
Date: 30.6.1997

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1997

	Schedule No.	Year ended 31st March, 1997	Year ended 31 March, 1996
			(Rs. Lakhs)
A. INCOME:			
Sales	2.1	24334.76	21118.62
Finished products internally consumed		972.23	1893.86
Accretion/Depletion to stocks	2.2	2396.21	-223.72
Interest Earned	2.3	694.86	628.27
Other Revenues	2.4	1043.00	1455.62
Provision no longer required written back	2.5	51.87	99.48
Total (A)		29492.93	24972.13
B. EXPENDITURE:			
Raw Materials Consumed	2.6	12892.77	7656.47
Employees' Remuneration & Benefits	2.7	6792.79	5520.73
Stores and Spares Consumed		3052.31	3014.49
Power and Fuel	2.8	5150.57	6366.20
Repairs and Maintenance	2.9	118.09	98.42
Excise Duty		3160.59	2715.43
Other Expenses and Provisions	2.10	2466.44	1958.33
Interest & Finance Charges	2.11	5396.06	1173.08
Depreciation		1051.07	662.20
Total		40080.69	29165.35
Less: Transferred to Inter Account Adjustment	2.12	866.35	735.39
Net Expenditure		39214.34	28429.96
Loss for the year		9721.41	3457.83
Add Extra Ordinary items		—	259.49
Add/(Less)Adjustments pertaining to earlier years	2.13	455.76	20.68
Net Loss		10177.17	3738.00
Loss brought forward from previous year		—	11155.94
Balance of Loss carried forward to balance sheet		10177.17	14893.94
Notes on Accounts	3		

Schedules 1 to 3 & Accounting Policies attached form part of Accounts

For and on behalf of the Board of Directors
Visvesvaraya Iron and Steel Limited

Sd/-	Sd/-	Sd/-	Sd/-
(P. GUPTA)	**(R. SRINIVASAN)**	**(J. BAKSHI)**	**(V.S. JAIN)**
General Manager (Finance & Accounts)	*Company Secretary*	*Executive Director*	*Director*

As per our Report attached

For Hariharan Narayan & Co
Chartered Accountants

Sd/-
(K. SACHITANAND)
Partner

For Madhavan & Co
Chartered Accountants

Sd/-
(S. SAMPATH KUMAR)
Partner

Bangalore
Date: 30.6.1997

SCHEDULES

1.1 SHARE CAPITAL

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Authorised		
30,00,00,000 equity shares of of Rs.10 each (Previous year 20,00,00,000 shares of Rs.10 each)	30000.00	20000.00
Issued,Subscribed & Paid-up		
24,95,00,000 equity shares of Rs.10 each fully paid up (Previous year 20,00,00,000 shares of Rs.10 each)	24950.00	20000.00

Of the above,
18,17,33,250 equity shares of Rs.10 each fully paid up (Previous year 13,22,33,250 shares of Rs.10 each) are held by Steel Authority of India Ltd, Holding company

6,77,66,750 equity shares of Rs.10 each fully paid up (Previous year 6,77,66,750 shares of Rs.10 each) are held by Government of Karnataka*

* *Out of the above,1,02,17,900 Equity Shares of Rs.10 each were allotted as fully paid-up pursuant to a contract for consideration other than cash.*

Note: (1) The authorised capital of the company was increased by Rs. 100 Crores by creation of 10,00,00,000 of Equity shares of Rs. 10 each pursuant to resolution passed at the Annual General Body meeting held on 24-07-96.

(2) Out of the above shares,

i) 4,95,00,000 of Right Equity shares of Rs.10 each were alloted as fully paid-up to SAIL (holding company) on conversion of their Loan to the tune of Rs. 49.5 Crores (Previous year Rs. 33 Crores)

1.2 RESERVES & SURPLUS

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Capital Reserve :		
Balance as per last Balance Sheet	573.34	566.92
Add: Additions during the year	0.00	28.66
Less:Transfer to Profit & Loss Account	1.98	2.01
Transfer to Fixed Assets-Bldgs	0.00	20.23
	571.36	573.34

1.3 SECURED LOANS

		As at 31st March, 1997		As at 31st March, 1996
				Rs./Lakhs
From Consortium Banks*				
Cash Credit		4027.42		3709.29
Term Loans		1144.25		1146.07
Bills Discounting		480.57		330.31
From Karnataka Housing Board**				
Loan	1.14		1.31	
Interest Accrued and Due	—	1.14	—	1.31
		5653.38		5186.98

The above loans are secured by :

* *i) Hypothecation of inventories (other than insurance spares relating to Plant and Machinery) and Book Debts present and future ranking pari-passu in favour of Consortium Banks.*

ii) Guarantee of Steel Authority of India Ltd., (Holding Company)

** *Mortgage of 2.8 acres of land together with tenements thereon.*

	As at 31st March, 1997	As at 31st March, 1996
NOTE: Amount payable on above loans except from Banks cash credit due within one year	Nil	0.29

1.4 UNSECURED LOANS

	As at 31st March, 1997		As at 31st March, 1996	
				Rs./Lakhs
Steel Authority of India Limited.*	21737.63		21120.93	
Less: Accumulated loss upto 31.3.96 transferred (Ref. Note 4)	14893.94		0.00	
	6843.69		21120.93	
Interest Accrued and due	5663.29	12506.98	1737.11	22858.04
		12506.98		22858.04
* i) Interest free loan		Nil		9858.54
ii) Interest bearing loan (including interest accrued & due)		12506.98		12999.50

1.5 FIXED ASSETS

	GROSS BLOCK (At Cost)			
	As at 1st April, 1996	Additions during the year	Sales/ Adjust- ments	As at 31st March, 1997
				(Rs./Lakhs)
PLANT, MINES AND OTHERS:				
Land (incl. cost of development)	6.62			6.62
Buildings	1843.71	41.07	4.74	1880.04
Plant and Machinery	22043.33	346.20	630.25	21759.28
Railway Siding and Rolling Stock	414.51	17.90		432.41
Water Supply and Sanitation	65.03	0.00		65.03
Roads Drains and Culverts	84.34	0.00		84.34
Furniture and Fixtures	50.55	0.10		50.65
Vehicles	614.99	14.72	0.07	629.64
Miscellaneous Articles	271.53	36.53		308.06
Total (A)	25394.61	456.52	635.06	25216.07
Figures for Previous Year	12962.82	12528.91	97.12	25394.61
SOCIAL FACILITIES:				
Land (incl. cost of development)	8.88			8.88
Buildings	615.77			615.77
Plant and Machinery	35.94			35.94
Water Supply and Sanitation	56.95	0.15		57.10
Roads, Drains and Culverts	24.81			24.81
Furniture and Fixtures	9.58	0.26		9.84
Vehicles	10.87			10.87
Miscellaneous Articles	47.62	1.10		48.72
Total (B)	810.42	1.51	0.00	811.93
Figures for Previous Year	839.51	19.62	48.71	810.42
Total (A+B)	26205.03	458.03	635.06	26028.00
Figures for Previous Year	13802.33	12548.53	145.83	26205.03

SCHEDULES

1.5 FIXED ASSETS (Contd.)

	DEPRECIATION				NET BLOCK	
	Up to 31st March, 1996	During the year	On Sales/ Adjustments	**Upto 31st March, 1997**	**As at 31st March, 1997**	As at 31st March, 1996
						Rs./Lakhs
PLANT, MINES AND OTHERS:						
Land (incl. cost of development)					**6.62**	6.62
Buildings	937.80	48.42	4.50	**981.72**	**898.32**	905.91
Plant and Machinery	7263.71	921.17	45.14	**8139.74**	**13619.54**	14779.62
Railway Siding & Rolling Stock	50.34	19.53		**69.87**	**362.54**	364.17
Water Supply and Sanitation	51.09	0.53		**51.62**	**13.41**	13.94
Roads, Drains and Culverts	18.78	1.63		**20.41**	**63.93**	65.56
Furniture and Fixtures	39.95	0.83		**40.78**	**9.87**	10.60
Vehicles	269.96	30.61	0.06	**300.51**	**329.13**	345.03
Miscellaneous Articles	144.34	15.71		**160.05**	**148.01**	127.19
Total (A)	8775.97	1038.43	49.70	**9764.70**	**15451.37**	16618.64
Figures for Previous Year	8175.83	660.72	60.58	**8775.97**	**16618.64**	
SOCIAL FACILITIES:						
Land (incl. cost of development)					**8.88**	8.88
Buildings	159.98	10.83		**170.81**	**444.96**	455.79
Plant and Machinery	31.05	0.21		**31.26**	**4.68**	4.89
Water Supply and Sanitation	22.23	1.13		**23.36**	**33.74**	34.72
Roads,Drains and Culverts	6.36	0.50		**6.86**	**17.95**	18.45
Furniture and Fixtures	8.47	0.09		**8.56**	**1.28**	1.11
Vehicles	4.18	1.08		**5.26**	**5.61**	6.69
Miscellaneous Articles	14.64	2.35		**16.99**	**31.73**	32.98
Total (B)	246.91	16.19	0.00	**263.10**	**548.83**	563.51
Figures for Previous Year	240.48	15.76	9.33	**246.91**	**563.51**	
Total (A+B)	9022.88	1054.62	49.70	**10027.80**	**16000.20**	17182.15
Figures for Previous Year	8416.31	676.48	69.91	**9022.88**	**17182.15**	

NOTE : **Allocation of Depreciation**

	Current Year	Previous Year
		Rs/Lakhs
Charged to Profit & Loss Account	**1051.07**	662.20
Debited to Prior Period Adjustment Account	**1.32**	1.52
Transfer to Expn.during construction	**0.00**	10.34
Transfer to Capital Reserve	**1.98**	2.01
Write-back of Depreciation	**0.25**	0.41
	1054.62	676.48

1.6 CAPITAL WORK-IN-PROGRESS

		As at 31st March, 1997		As at 31st March, 1996
				Rs./Lakhs
Expenditure during construction awaiting allocation (Schedule 1.6.1)		**85.32**		40.70
Work in Progress:				
— Plant		**1801.98**		1614.55
— Township		**0.60**		0.60
Capital Equipments awaiting erection, installation, commissioning & adjustments		**83.73**		78.95
Stores and Spares at Site		**49.15**		49.38
Advances	**47.01**		113.87	
Less: Provision	**3.11**		2.31	
		43.90		111.56
		2064.68		1895.74
Particulars of Advances:				
Unsecured considered good.for which the company holds no security other than the Debtor's personal security.		**43.90**		111.56
Unsecured considered doubtful		**3.11**		2.31
		47.01		113.87

1.6.1 EXPENDITURE DURING CONSTRUCTION

		As at 31st March, 1997		As at 31st March, 1996
				Rs./Lakhs
(a) Opening balance awaiting allocation		**40.70**		670.16
(b) Expenditure incurred during the year:				
Employee's Remuneration & Benefits:				
— Salaries and wages	**34.53**		31.72	
— Co's contribution to PF and other funds	**3.31**		3.01	
— Welfare Expenses	**1.04**		1.26	
— Gratuity	**10.43**		-2.96	
	49.31		33.03	
Other expenses	**9.71**		9.77	
		59.02		42.80
Less: Income	**0.12**		0.00	
Sale of Products	**0.00**		0.00	
Accretion/Depletion to stock	**0.00**		0.00	
Liquidated Damages	**-0.28**		-1.61	
		-0.16		-1.61
Net Expenditure during the year (b)		**59.18**		44.41
Total (a)+(b)		**99.88**		714.57
Amount allocated to Fixed Assets		**14.56**		673.87
Balance awaiting allocation		**85.32**		40.70
Total		**99.88**		714.57

1.7 INVESTMENTS AT COST	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
1) Government Securities:		
— National Savings Certificates	0.02	0.02
2) Shares-Non Traded		
(a) Quoted:		
i) 600 Equity Shares of Rs.100 each fully paid up (Previous year 600 Shares) with Housing Development finance corporation (Market value Rs. 16,50,000 Previous year Rs. 19,44,000)	1.48	1.48
ii) 500 Equity Shares of Rs.10 each fully paid up (Previous year 500 Shares) with HDFC Bank Ltd. (Market value Rs. 23250 Previous year Rs. 16250)	0.05	0.05
(b) Un-Quoted:		
i) 20000 Equity Shares of Rs.10 each fully paid up in Metal Scrap Trade Corporation Ltd., at cost (Previous year 20000 Shares of Rs.10 each)	1.00	1.00
	2.55	2.55
3) Immovable Properties	Nil	Nil
4) Investment in Capital of partnership firms	Nil	Nil
5) Balance of un-utilised Monies raised by issue	Nil	Nil
Aggregate value of Unquoted Investments	1.02	1.02
Aggregate value of quoted Investments	1.53	1.53

1.8 INVENTORIES (As taken & certified by Management)		As at 31st March, 1997		As at 31st March, 1996
				Rs./Lakhs
Stores and Spares (at cost)	2008.84		1997.33	
Add: In transit	253.60		366.59	
	2262.44		2363.92	
Less: Provision	56.46	2205.98	62.12	2301.80
Raw Materials (at cost)	3865.51		3783.38	
Add: In transit	143.35	4008.86	1524.32	5307.70
Others (at cost)		13.82		11.57
Finished/Semi finished products at lower of cost or net realisable value except excavated skull scrap valued at net realisable value amounting to Rs.2471.22 lakhs (previous year Rs.2492.65 lakhs)		11341.19		8944.98
		17569.85		16566.05

1.9 SUNDRY DEBTORS	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Debts over six months	1750.20	1832.57
Other Debts	4131.28	4413.53
	5881.48	6246.10
Less: Provision for doubtful debts	682.52	553.47
	5198.96	5692.63
Particulars:		
Unsecured considered good, for which the company holds no security other than the Debtor's personal security.	5198.96	5692.63
Unsecured considered doubtful	682.52	553.47
	5881.48	6246.10
Dues from SAIL (Holding company)	605.13	1168.22

1.10 CASH AND BANK BALANCES	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Cash and Stamps in hand	1.69	6.39
Cheques on hand	170.92	67.45
With Scheduled Banks :		
In Current Account	72.40	143.17
Term Deposits — L.C.S.	8.00	6.00
— Others	15.40	2.00
With Post Office — Savings Account		
(Pledged with Central Excise Dept.)	0.31	0.32
With Treasury	0.01	0.01
Remittance in transit	6.47	21.91
	275.20	247.25

1.11 INTEREST RECEIVABLE/ACCRUED	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
From Banks	6.14	4.85
Others	17.39	77.14
	23.53	81.99

1.12 LOANS AND ADVANCES		As at 31st March, 1997		As at 31st March, 1996
				Rs./Lakhs
Loans: Stores Issued	0.00		0.88	
Employees	18.38		14.65	
Advances (Recoverable in cash or in kind or for value to be received):				
— Claims recoverable	222.21		192.03	
— Contractors and Suppliers	392.79		524.26	
— Employees	163.08		158.28	
— Tax deducted at source	33.40		35.16	
— Others	807.75		852.58	
		1619.23		1762.31
Deposits:				
— Customs, Port Trust, Excise dept.	5.77		3.28	
— Others	703.97	709.74	707.54	710.82
		2347.35		2488.66
Less: Provision for Doubtful Loans and Advances		157.04		161.39
		2190.31		2327.27
Particulars of Loans and Advances:				
— Secured considered good		3.52		3.54
— Unsecured considered good, for which the company holds no security other than the Debtors personal security		2186.79		2323.73
— Unsecured considered doubtful		157.04		161.39
		2347.35		2488.66
Note:				
Amount due from Directors		0.18		0.16
Maxi]mum anount due at any time during the year		0.25		0.35

SCHEDULES

1.13 CURRENT LIABILITIES

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Acceptance under deferred payment arrangements (on capital account) of which Rs. 0.03 lakhs is payable within 31st March 1997	0.73	0.76
Sundry creditors (including Rs.7.13 lakhs under deferred payment previous year-Rs. 10.90 lakhs)		
— Capital works	386.90	639.80
— Others	7855.97	7668.52
Advance from Customers	467.08	1409.39
Security Deposits	279.34	284.86
Other Liabilities	4302.50	3780.09
	13292.52	13783.42
Dues to SAIL	3276.41	2593.97

1.14 PROVISIONS

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Gratuity	2386.61*	1091.06
Leave Encashment	47.23	36.36
	2433.84	1127.42

* *includes Rs. 1267.34 lakhs gratuity provision upto 31-3-1988.*

1.15 PHASED OUT PLANT

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
(At book value being the lower of book value or net realisable value)		
— Sintering Plant at TBL	2.16	0.00
— Ferro-silicon Plant-1500KVA	0.00	12.51
	2.16	12.51

1.16 MISCELLANEOUS EXPENDITURE
(To the extent not written off or adjusted)

	Balance as at 31st March, 1996	Additions during the year	Amount charged off during the year	Balance as at 31st March, 1997
				Rs./Lakhs
Deferred Revenue Expenditure:				
i) Voluntary Retirement Compensation	139.62	0.00	139.62	0.00
Total	139.62	0.00	139.62	0.00
Previous year	331.28	0.00	191.66	139.62

1.17 PROFIT & LOSS ACCOUNT

	As at 31st March, 1997	As at 31st March, 1996
		Rs./Lakhs
Balance as per last Balance Sheet	14893.94	11155.94
Less: Transferred to SAIL Loan Account (Ref.Note No.4)	14893.94	0.00
	0.00	11155.94
Add: Loss for the year	10177.17	3738.00
Balance carried to Balance Sheet	10177.17	14893.94

2.1 SALES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Direct	16424.08	13077.82
From Stockyards	5656.90	7522.29
Others	2253.78	518.51
	24334.76	21118.62

2.2 ACCRETION TO STOCK OF FINISHED/ SEMI-FINISHED PRODUCTS

		Year ended 31st March, 1997		Year ended 31st March, 1996
				Rs./Lakhs
Opening Stock		8944.98		9145.66
Closing Stock	11341.19		8944.98	
Less:Transfer to EDC	0.00		23.04	
		11341.19		8921.94
Accretion / Depletion (—) to Stock		2396.21		-223.72

2.3 INTEREST EARNED

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Customers (Tax Deducted at source Rs. 13.14 lakhs; Previous year 7.76 lakhs)	198.78	169.72
Others	496.08	458.55
	694.86	628.27

2.4 OTHER REVENUES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Social Amenities — Recoveries	30.80	44.41
Service Charges (TDS Nil. Previous year Rs. 8.74 lakhs	588.33	610.92
Grant-in-Aid received from Government of Karnataka)	60.22	37.83
Dividend on Investments (GROSS) (Tax deducted at source Rs.15021 & Previous year Rs. 19582)	0.62	0.79
Profit on sale of Fixed Assets	14.82	648.30
Sundries	348.21	113.37
	1043.00	1455.62

2.5 PROVISION NO LONGER REQUIRED WRITTEN BACK

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Loans and Advances	3.41	0.00
Sundry Debtors	6.17	47.19
Others	42.29	52.29
	51.87	99.48

2.6 RAW MATERIALS CONSUMED

	Year ended 31st March, 1997		Year ended 31st March, 1996	
	Quantity Tonnes	Value Rs./lakhs	Quantity Tonnes	Value Rs./lakhs
Iron Ore	294008	1314.54	110233	448.14
Hot Briqueted Iron			134	7.96
Charcoal	9330	304.76	13252	405.98
Leco				
Coke	146239	8221.35	39392	2501.17
Manganese Ore	1544	17.79	1196	22.22
Pig Iron	167	12.09	8810	638.30
Chrome Ore				
Scrap	8251	-396.60	6361	246.93
Limestone	49330	249.34	30566	155.72
Quartz/Dolomite	30850	205.42	15175	60.35
Ferro Manganese	745	197.33	661	146.00
Ferro Silicon	1114	382.67	1283	458.08
Ferro-Chrome	1850	614.44	1711	666.49
Ferro Vanadium	38	125.02	30	80.42
Ferro-Molybdenum	37	112.79	34	106.62
Molybdic Oxide	85	209.47	89	186.31
Silico manganese/silico chrome	281	71.30	312	60.63
Nickle	204	727.78	230	700.98
Aluminium	394	224.79	372	213.43
Mild Steel Billets				
Graphite Electrodes	178	165.55	450	345.59
Electrode paste	405	49.75	700	83.42
Others		83.19		121.73
		12892.77		7656.47

NOTE: Consumption of Raw Materials include shortages amounting to Rs.700.86 lakhs (Previous year Rs. 545.28 lakhs) which are not covered by normal handling losses and excess of Rs. 697.90 lakhs (Previous year Rs. 399.18 lakhs).

2.7 EMPLOYEES' REMUNERATION AND BENEFITS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Salaries and Wages	5679.97	4493.46
Annual Bonus	2.53	18.32
Company's contribution to Provident Fund and Other Funds	416.42	463.96
Welfare expenses	187.93	185.84
Gratuity	1855.94	659.15
	8142.79	5820.73
Less: Grant-in-Aid received from National Renewal Fund towards VR Scheme	1350.00	300.00
	6792.79	5520.73

NOTE: A sum of Rs. NIL being Dearness Allowance has been shown separately as Extraordinary item in P & L Account. (Previous year Rs. 259.49 lakhs).

2.8 POWER AND FUEL

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Purchased Power	3461.40	4806.55
Furnace Oil/HSD Oil/SK Oil	1679.50	1556.12
Others	9.67	3.53
	5150.57	6366.20

2.9 REPAIRS AND MAINTENANCE

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Buildings	21.03	6.54
Plant and Machinery	30.03	31.10
Others	67.03	60.78
	118.09	98.42

2.10 OTHER EXPENSES AND PROVISIONS

		Year ended 31st March, 1997		Year ended 31st March, 1996
				Rs./Lakhs
Advertisement		14.24		7.84
Consultancy & law charges		3.54		3.35
Demurrage and Wharfage		10.21		6.20
Directors' Sitting Fee		0.02		0.03
Discount		28.50		10.96
Handling Expenses — Raw Materials		522.48		207.80
— Scrap Recovery		523.62		656.67
Insurance		10.48		9.31
Lighting charges		19.79		16.89
Donations		0.00		19.15
Machining charges		47.94		97.32
Meeting expenses		7.30		10.01
Postage, Telegram/Telephone and Telex		84.81		93.89
Printing and Stationery		21.84		19.51
Provisions:				
— Doubtful Debts and Advances		177.29		61.84
— Stores and Spares		0.27		0.83
— Others		69.97		20.59
Rates and Taxes		84.39		32.65
Remuneration to Auditors:				
Audit Fees	0.80		0.80	
Out of pocket expns.	2.57		1.45	
Tax audit fees	0.25		0.26	
Cost audit fees	0.12		0.12	
		3.74		2.63
Rent		8.72		8.21
Royalty		9.96		10.50
Sales Promotion Expenses		6.15		3.26
Stockyard Charges		53.25		37.30
Travelling Expenses		208.48		181.35
Training Expenses		5.87		10.65
Water Charges		92.25		93.32
Write Offs:				
— Deferred Revenue Expenditure	139.62		191.66	
— Sundry Debtors	140.51		0.00	
— Others	13.59		38.07	
		293.72		229.73
Sundries		157.61		106.54
		2466.44		1958.33

2.11 INTEREST & FINANCE CHARGES

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Bank Loans — Cash Credit	1092.77	401.87
— Term Loans	27.34	26.37
Bank and Bill Discounting charges	176.88	151.36
Others	4099.07	593.48
	5396.06	1173.08

2.12 INTER ACCOUNT ADJUSTMENTS

	Year ended 31st March, 1997	Year ended 31st March, 1996
		Rs./Lakhs
Raw Materials Manufactured	403.36	316.76
Departmentally Manufactured Stores	437.35	405.54
Services to Production Departments	25.64	13.09
	866.35	735.39

2.13 ADJUSTMENT PERTAINING TO EARLIER YEARS

	Year ended 31st March, 1997		Year ended 31st March, 1996	
				Rs./Lakhs
	Debit	Credit	Debit	Credit
Sale of Products	9.83			
Other Revenues(Net/Gross)	43.87			25.00
Raw materials consumed (Net/Gross)	63.47		27.13	2.75
Employees' Remuneration and Benefits				0.00
Stores and Spares consumed (Net/Gross)	5.64			0.76
Depreciation (Net/Gross)		4.42	1.52	
Repairs and Maintenance			20.01	
Excise Duty (Net/Gross)	4.81		3.20	
Other Expenses and Provisions	6.59		2.49	17.84
Interest (Net/Gross)	325.97		12.68	
	460.18	**4.42**	67.03	46.35
Net Debit/(Credit)	**455.76**		20.68	

SCHEDULES

3. NOTES ON ACCOUNTS

1 General

1.1 Previous year's figures have been re-arranged/re-grouped wherever necessary.

1.2 During the year, SAIL, the holding Company has not waived the interest on loans given to VISL. (Previous year waiver of interest on SAIL loan was Rs. 2067.71 lakhs).

1.3 Balances of sundry debtors,sundry creditors,loans and advances given/taken outstanding with other units/subsidiaries and other liabilities have been called for and are subject to confirmation. Set off has been made to the extent the debit balances could be linked to the corresponding credit balances.

2 Fixed Assets

2.1 Land & Buildings Includes:

a) 264 acres 33 guntas valued at Rs.0.23 lakhs (approx) the title to which is under dispute and has been referred to Government of Karnataka (GOK) *for arbitration. Necessary adjustments in the books will be made after receipt* of final orders of GOK in this regard.

b) About 27 acres under occupation of the Forest Department (book value Rs 0.25 lakhs), and 47 acres in possession of Karnataka Electricity Board and others is under dispute (book value Rs 0.44 lakhs) is yet to be adjusted in the books of accounts.

c) Rs.9.25 lakhs representing cost of flats at Bombay in possession of the company, the title to which will be conveyed in favour of the company, in the year 2000 A.D.

3. Share holding: Pursuant to the order of GOK dt 3.5.1997, GOK has given sanction to transfer its entire shareholding of 6,77,66,750 of equity shares of Rs 10 each, at a nominal consideration of Re one. The formalities of share transfer is yet to be completed.

4. Absorption of accumulated losses: Government of India have approved the takeover of Visvesvaraya Iron and Steel Limited (VISL) by Steel Authority of India Limited, Holding company(SAIL)subject to relief from Steel Development Fund(SDF) to compensate for accumulated losses based on audited accounts.Accordingly, accumulated losses amounting to Rs.148.94 crores as on 31st March, 1996 has been adjusted against loans of Holding Company,SAIL.

5. Current Assets, Loans and Advances/current liabilities.

5.1 Amount of retirement benefits received from the dependents of the deceased employees / incapacitated employees under the "Employees Family Benefit Scheme" in return for payment of the last pay drawn to the dependents of deceased employees/incapacitated employees as a part of wage agreement with the employees. The holding company had obtained exemption under section 58 A (8) of the Companies Act from applicability of section 58 A and rules framed thereunder to the deposits to be received from its employees under its proposed "Employees Family Benefit Scheme". The Company had filed the necessary application and submitted necessary documents to the Company Law Board for necessary sanction. The sanction from Company Law Board exempting the company from the provisions of Sec 58A(8) was received by the company on 30.5.1997.

6. Contingent Liabilities not provided for:

	As at 31.03.97	As at 31.03.96
		Rs. in Lakhs
a) Claims against the Company pending judicial decisions	**495.86**	439.73
b) Other claims which the company has not acknowledged as Debts.	**2460.35**	2356.67
c) Other claims for which the Company is contingently liable;		
— As a member of Cement Allocation and Co-ordinating Organisation, a company limited by guarantee to the extent of uncalled liability	**1.00**	1.00
— Counter guarantee given to Banks	**350.00**	350.00
— Counter guarantee to HDFC, on housing loan from HDFC to employees	**67.75**	81.62
d) The interest/penalty payable, if any, for not depositing statutory dues/levies with the appropriate authorities within the stipulated time.	—	—

6.1 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.296.08 lakhs (Pre.year Rs.316.82 lakhs)

7. Profit and Loss Account:

7.1 As per the available information within the Company it is not possible to identify suppliers under small scale industries and ancillary units. Under the circumstances, provision for interest on delayed payments, if any, for supplies from small scale & ancillary units as per "Interest on delayed payments to Small Scale and Ancillary Industrial Undertakings Act,1993 " has not been made. Therefore, the amount of interest and principal payable to suppliers cannot be quantified at this stage.

7.2. Grants received during the year from National Renewal Fund amounting to Rs.1350 lakhs is netted off under Employees Remuneration and Benefits (Previous year Rs.300 lakhs).

7.3. Grants received from Govt. of Karnataka towards salary of staff of Educational Institutions amounting to Rs.60.22 lakhs is included under other income and the related costs is included under Employees Remuneration and Benefits. (Previous year Rs 37.83 lakhs).

8. Consequent upon the observation of Comptroller and Auditor General of India during the course of audit under section 619(4) of Companies Act 1956 on the Accounts of the Company for the year ended 31st March 1997 as adopted by the Board of Directors on 23'rd May 1997 and Auditor's Report dated 23rd May 1997, besides carrying out certain changes in the Accounts and Notes on Accounts,the revision has resulted an increase in loss by Rs.151.16 lakhs, comprising of Rs 136.58 Lakhs towards provision for doubtful debts, Rs 10.09 lakhs towards Power & Fuel, and Rs 4.49 Lakhs towards depreciation. Further, in the balance sheet, there has been reduction in Net Current Assets by Rs. 146.67 lakhs, Rs. 4.49 lakhs in net fixed assets, which is offset by Rs. 151.16 lakhs, being the increase in accumulated losses for the year.

8. (a) Licenced Capacity, Installed Capacity and Production:

Products	Licensed Capacity	Installed Capacity	Production Capacity	**Production Current Year**	Production Previous Year
	(Tonnes)	(Tonnes)	(Tonnes)	**(Tonnes)**	(Tonnes)
Special Steel	77000	77000	77000	**60702**	62522
Mild Steel	35200	36000	—	—	—
Special Steel Ingots]	105000	180000	140000	**88584**	93672
Mild Steel Ingots]	48000	—	—	**32**	108
Pig Iron	204000	205000	205000	**51562**	77539
C I Castings	—	15600	4800	**5027**	4686
Steel Castings	5400	2500	120	**148**	137
Ferro Silicon	20000	21000	20000	**7557**	10437
H C Ferro Chrome*]	—	—	—	—	—
Other Ferro Alloys*]	3800	3800	—	—	—
Refractories	10800	9600	4800	**5081**	4848

There is no change in the licensed capacities during the year

** Capacities are inter-changeable.*

8. (b) Particulars in respect of Turnover:

Products	Current year Qnty. Tons.	Current year Value Rs./lakhs	Previous Year Qnty. Tons	Previous Year Value Rs./lakhs
Pig Iron	**48956**	**3808.87**	23680	1680.62
Special Steel	**55992**	**15607.51**	63955	15232.13
Mild Steel	**46**	**2.37**	143	22.75
Steel Castings	**1**	**0.40**	11	4.18
Ferro Silicon	**6484**	**2444.52**	9448	3390.12
Skull Scrap	**23142**	**1415.52**	4126	270.31
Others		**1055.57**		518.51
		24334.76		21118.62

** Excludes trial period turnover.*

8. (c) Particualrs in respect of Stock of Finished/Semi-finished Products:

Products	Closing Stock Qnty. Tns.	Closing Stock Value Rs./lakh	Opening Stock Qnty. Tons	Opening Stock Value Rs./lakhs
Special Steel	**24453**	**6475.96**	18633	4676.75
	(18633)	**(4676.75)**	(20493)	(4916.96)
Mild Steel			101	14.52
	(101)	**(14.52)**	(2470)	(331.52)
Special Steel Ingots	**9575**	**1440.51**	5536	897.98
	(5536)	**(897.98)**	(2999)	(506.18)
Mild Steel Ingots			38	3.54
	(38)	**(3.54)**		
Other Castings	**871**	**130.16**	550	77.92
	(550)	**(77.92)**	(333)	(59.56)
Steel Castings	**125**	**69.56**	193	108.58
	(193)	**(108.58)**	(106)	(58.84)
Pig Iron	**6460**	**421.15**	3852	294.11
	(3852)	**(294.11)**	(3279)	(228.27)
Ferro Silicon	**371**	**140.73**	487	177.68
	(487)	**(177.68)**	(1091)	(379.67)
Ferro Chrome	**—**		11	3.28
	(11)	**(3.28)**	(8)	(2.67)
Ferro Alloys				
Skull Scrap	**70700**	**2422.76**	71320	2440.08
	(71320)	**(2440.08)**	(63100)	(2514.89)
Refractories	**205**	**5.40**	560	15.18
	(560)	**(15.18)**	(2680)	(82.41)
Vanadium Rich Slag	**15**	**10.73**	15	10.73
	(15)	**(10.73)**	(15)	(10.73)
Others		**224.23**		224.61
		(224.61)		(283.48)
		11341.19		8944.96
		(8944.96)		(9375.18)

Note: Figures in brackets pertain to previous year.

8. (d) Quantitative particualrs in respect of Stock of Finished/ Semi-finished Products:

(Qnty./Tonnes)

Products	Opening Stock	Production/ Receipts	Sales	Internal Consmp./ Exc./(Def)	Closing stock
Special Steel	18633	95066	55992	33254	**24453**
Mild Steel	101	52	46	107	—
Special Steel Ingots	5536	88584	—	84545	**9575**
Mild Steel Ingots	38	32	—	70	—
Other Castings	550	5263	65	4877	**871**
Steel Castings	193	154	4	218	**125**
Pig Iron	3852	51680	48956	116	**6460**
Ferro Silicon	487	7557	6484	1189	**371**
Ferro Chrome	11	—	—	11	—
Skull Scrap	71320	13771	12741	1650	**70700**
Refractories	560	5081	109	5327	**205**
Vanadium Rich Slag	15	—	—	—	**15**

9. Expenditure incurred in Foreign Currency on account of :

	Current Year	Previous Year
		Rs/Lakhs
Interest	**69.66**	23.59

10. Earnings in Foreign Exchange on accounts of:

	Current Year	Previous Year
		Rs/Lakhs
Export of Goods (FOB)	**202.32**	90.85

11. Value of imports during the period (Calculated on CIF basis):

	Current Year	Previous Year
		Rs/Lakhs
Raw materials*	**1120.08**	2036.85
Stores, Spares and Components	**32.89**	158.14
Capital goods	—	—
	1152.97	2194.99

* Includes Rs.734.65 lakhs (Previous year Rs. 139.11 lakhs) procured through canalised agents.

12. Value of raw materials etc. and stores/spares and components consumed during the year:

	Current Year Rs./lakhs	%	Previous Year Rs./lakhs	%
Raw materials consumed:				
Imported	**3096.21**	**24**	1542.16	20
Indigenous	**9796.56**	**76**	6114.31	80
	12892.77		7656.47	
Stores and spares consumed:				
Imported	**121.97**	**4**	286.85	10
Indigenous	**2930.34**	**96**	2727.64	90
	3052.31		3014.49	

13. Particulars of Director's remuneration:

	Current Year	Previous Year
		Rs/Lakhs
Salaries	**2.38**	2.84
Company's contribution towards Provident Fund & other funds	**0.20**	0.38
Others	**0.02**	
	2.60	3.22

14. Expenditure on Public Relations Department:

	Current Year	Previous Year
		Rs/Lakhs
Employees Remuneration and Benefits	**4.47**	3.27
Other items of Expenditure under Publicity	**1.60**	1.71
	6.07	4.98
Turnover	**24334.76**	21118.62
Percentage	**0.02**	0.02

SCHEDULES

SOCIAL AMENITIES

Expenses	Township	Education	Medical	Social/ Cultural Activities	**Total Exp. 1996-97**	Previous Year 1995-96
						(Rs./Lakhs)
Employees Remuneration & Benefits	129.08	113.71	206.65	19.01	**468.45**	347.91
Consumption of stores, spares/ medicines	2.85	—	66.21	1.07	**70.13**	94.89
Repairs & Maintenance	11.63	9.72	17.66	1.02	**40.03**	21.19
Power/Fuel	11.03	—	3.23	0.22	**14.48**	14.18
Staff Welfare	61.67			0.00	**61.67**	60.18
Miscellaneous expenditure						
Depreciation	11.27	1.44	2.62	0.27	**15.60**	15.85
Total	227.53	124.87	296.37	21.59	**670.36**	554.20
Less: Income	75.26	60.22	24.39	0.00	**159.87**	99.07
Net Deficit	152.27	64.65	271.98	21.59	**510.49**	455.13

For and on behalf of the Board of Directors
Visvesvaraya Iron and Steel Limited

Sd/-
(P. GUPTA)
General Manager
(Finance & Accounts)

Sd/-
(R. SRINIVASAN)
Company Secretary

Sd/-
(J. BAKSHI)
Executive Director

Sd/-
(V.S. JAIN)
Director

As per our Report attached

For Hariharan Narayan & Co
Chartered Accountants

Sd/-
(K. SACHITANAND)
Partner

For Madhavan & Co
Chartered Accountants

Sd/-
(S. SAMPATH KUMAR)
Partner

Bangalore
Date: 30.6.1997

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
[As per Schedule VI (Notification No. GSR 388(E) Dated 15.5.1995)]

I. Registration Details

Registration No.	1 4 2 4 / 6 1	State Code	0 8
Balance-Steet Date	3 1 (Date) 0 3 (Month) 9 7 (Year)		

II. Capital raised during the year (Amount in Rs.Thousands)

Public Issue	N I L	Rights Issue	4 9 5 0 0 0
Bonus Issue	N I L	Private Placement	N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	4 3 6 8 1 7 2	Total Assets	4 3 6 8 1 7 2

Sources of Funds

Share Capital	2 4 9 5 0 0 0	Reserve & Surplus	5 7 1 3 6
Secured Loans	5 6 5 3 3 8	Unsecured Loans	1 2 5 0 6 9 8

Application of Funds

Net Fixed Assets	1 8 0 6 4 8 8	Investments	2 5 5
Net Current Assets	1 5 4 3 4 9 6	Misc.Expenditure	0
Accumulated Losses	1 0 1 7 7 1 7		

IV. Performance of the Company (Amount in Rs.Thousands)

Turnover	2 4 3 3 4 7 6	Total Expenditure	3 9 6 7 0 1 0
Loss (—) Before Tax	1 0 1 7 7 1 7	Loss (—) After Tax	1 0 1 7 7 1 7
Earning per share in Rs.	0 . 0 0		

V. Generic Names of Three Principal Products/Services of Company

1. Item Code No. (ITC Code)	7 2 0 7 1 1 . 0 2
Product Description	A L L O Y S T E E L
2. Item Code No.(ITC Code)	7 2 0 1 5 0 . 0 1
Product Description	P I G I R O N
3. Item Code No.(ITC Code)	7 2 0 2 2 1 . 0 0
Product Description	F E R R O S I L I C O N

For and on behalf of the Board of Directors
Visvesvaraya Iron and Steel Limited

Sd/-
(P. GUPTA)
General Manager (Finance & Accounts)

Sd/-
(R. SRINIVASAN)
Company Secretary

Sd/-
(J. BAKSHI)
Executive Director

Sd/-
(V.S. JAIN)
Director

As per our Report attached

For Hariharan Narayan & Co
Chartered Accountants
Sd/-
(K. SACHITANAND)
Partner

For Madhavan & Co
Chartered Accountants
Sd/-
(S. SAMPATH KUMAR)
Partner

Bangalore
Date: 30.6.1997

AUDITORS' REPORT

ANNEXURE - I TO THE DIRECTORS' REPORT

COMMENTS	MANAGEMENT'S REPLIES

To

The Members of Visvesvaraya Iron & Steel Ltd.

We have audited the attached Balance Sheet of Visvesvaraya Iron and Steel Limited as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date annexed thereto and we report as follows:-

Consequent to the revision made by the Company in the accounts after the audit under section 619(4) of the Companies Act, 1956, by the Comptroller and Auditor General of India, our report dated 23.5.1997 is revised. This report supersedes the earlier report referred above. The revision has resulted in increase in loss by Rs. 151.16 lakhs, comprising of Rs. 136.58 lakhs towards provision for doubtful debts, Rs. 10.09 lakhs towards Power & Fuel, and Rs. 4.49 lakhs towards depreciation. Further, in the balance sheet, there has been reduction in Net Current Assets by Rs. 146.67 lakhs, Rs. 4.49 lakhs in net fixed assets, which is offset by Rs. 151.16 lakhs, being the increase in accumulated losses for the year.

1. As required by the Manufacturing and other companies (Auditor's Report) Order, 1988 issued by the Company Law Board and on the basis of the above checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in the said Order.

2. Further to our comments in the Annexure referred to in para 1 above, we report that:

2.1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

2.2. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

2.3. The Company's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

2.4. Attention is drawn to Note No.1.3 of Schedule 3 - regarding non-confirmation of balances and Note No.4 regarding setting-off of accumulated losses upto 31.3.96 to the tune of Rs. 148.94 crores against the loans advanced by SAIL,Holding Company.

2.5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view:-

(a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 1997.

(b) in the case of Profit and Loss Account, of the loss of the Company for the year ended 31st March 1997.

For **MADHAVAN & CO.,**
Chartered Accountants
Sd/-
(S. SAMPATH KUMAR)
Partner

For **HARIHARAN NARAYAN & CO.,**
Chartered Accountants.
Sd/-
(K. SACHITANAND)
Partner

Place: Camp: Bangalore
Date: 30th June, 1997

For and on behalf of the Board of Directors
Sd/-
(Arvind Pande)
Chairman

Place: New Delhi
Date: 25th July, 1997

ANNEXURE TO AUDITOR'S REPORT

(Referred to in Paragraph 1 of our report of even date)

COMMENTS	MANAGEMENT'S REPLIES
1. The Company has maintained proper records to show particulars including quantitative details and situation of Fixed Assets. The Company has a programme of physical verification at reasonable intervals. During the current year physical verification of assets have been carried out in some area as per programme.However, the physical balances of movable assets have not been compared with the aforesaid records of Fixed assets.In view of this, discrepancies, if any, are not ascertainable.	The reconciliation of physical balance with book balance is a continuous process and periodical adjustments are carried out on the basis thereof.
2. The Fixed Assets of the Company have not been revalued during the year.	
3. As explained to us, the stores, spare parts, raw materials and finished goods, have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.	
4. In our opinion, the procedure of physical verification of stocks followed by the Management is reasonable and adequate having regard to the size of the Company and nature of its business.	
5. The discrepancies between physical stocks and book records arising out of physical verification, which were stated to be not material, have been properly dealt with in the books of accounts.	
6. The valuation of such stocks is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.	
7. On the basis of our examination and as informed to us, the Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956, except which are not prejudicial to the interest of the Company. It has not taken any other loans from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.	
8. On the basis of our examination and as informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management as defined in Section 370 (1B) of the Companies Act, 1956.	
9. Loans and advances in the nature of loans have been given to employees and are being recovered in the normal course.	
10. In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.	
11. The Company has transactions of purchase of goods and materials and sales of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party. However, these transactions have been made at prices which are not prejudicial to the interest of the Company.	
12. On the basis of our examination and as informed to us, the Company has a regular procedure for determining the unserviceable/damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.	
13. The Company has accepted fixed deposits only from the dependents of the deceased employees/Incapacitated employees being the retirement benefits referred to in note No. 5.1 of schedule 3 for which the company had filed application and furnished necessary documents with the Company Law Board for approval, which was received on 30.6.97, subsequent to the date of approval of accounts on 23.5.97 and the audit report dated 23.5.97, but before the revision of accounts.	
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.	
15. In our opinion, the Company has an internal audit system which is commensurate with the size of the Company and the nature of its business. However, the scope of Internal Audit requires to be further strengthened.	

COMMENTS	MANAGEMENT'S REPLIES
16. The Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of steel production. Prima facie it appears that the prescribed accounts and records are maintained.	
17. The Company has been regular in depositing Provident Fund dues with the appropriate authorities during the year and there are no arrears of Provident Fund dues as at 31st March 1997. Employees State Insurance Act, is not applicable in view of the Company having its own medical facilities for its employees.	
18. As per details furnished to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty outstanding as on 31st March 1997 for a period for more than six months from the date they became payable.	
19. According to the information and explanation furnished to us and to the best of our knowledge, no personal expenses have been charged to revenue account *other than those payable under contractual obligations or in accordance with* generally accepted business practice.	
20. The Company is not a sick industrial company within the meaning of Clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.	

For **MADHAVAN & CO.,**
Chartered Accountants

Sd/-
(S. SAMPATH KUMAR)
Partner

Place: Camp: Bangalore
Date: 30th June, 1997

For **HARIHARAN NARAYAN & CO.,**
Chartered Accountants.

Sd/-
(K. SACHITANAND)
Partner

For and on behalf of the Board of Directors

Sd/-
(Arvind Pande)
Chairman

Place: New Delhi
Date: 25th July, 1997

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF VISVESVARAYA IRON & STEEL LIMITED, BHADRAVATI FOR THE YEAR ENDED 31ST MARCH, 1997

The accounts of the Company have been revised as a result of observation made by the Comptroller & Auditor General of India as indicated in the Auditor's Report to the shareholders and Note No.8 of Notes on Accounts. The following further comments are made upon or supplement to the Auditors' Report U/S 619(4) of the Companies Act on the accounts of Visvesvaraya Iron & Steel Ltd., for the year ended 31.3.1997.

COMMENTS	MANAGEMENT'S REPLIES
The accumulated losses, and loss for the year amounting to Rs. 101.77 crores, as at 31st March 1997 have to be viewed in the light of the following:	
1. The Company held reserves created out of profit on the sale of fixed assets amounting to Rs. 5.55 crores as at 31st March 1997. This should have been utilised for setting off the accumulated losses in view of the continued losses incurred by the Company (Sch. 1.2).	The capital reserves have accumulated over a number of years through disposal of miner assets and have not been adjusted against the operating losses of the Company. The treatment of reserves in accounts is in line with the accounting policy consistently followed by the Company over the years. Further, under the Companies Act, 1956, there is no specific provision for setting off of credit balance in capital reserves against the debit balance in Profit & Loss Account.
2. The liability towards power charges payable to Karnataka Electricity Board being wheeling and trasmission charges for supply of power from Kadra Hydro Electric Project was short provided by Rs. 0.96 crores. This has resulted in understatement of power and fuel charges and loss for the year by 0.96 crores (Sch. 2.8).	Under an agreement between Karnataka Power Corporation Ltd., Karnataka Electricity Board and VISL, concessional power tariff rate is leviable on power supplies to VISL with wheeling and transmission charges at 10% of the applicable tariff rate. The liability towards wheeling and tramsmission charges has been provided accordingly.

For and on behalf of Board of Directors

Sd/-	Sd/-
(Shankar Narayan)	**(Arvind Pande)**
Principal Director of Commercial Audit	*Chairman*
Place : Bangalore Dated : 23.7.97	Place : New Delhi Dated : 25.7.1997

REVIEW OF ACCOUNTS

ADDENDUM TO DIRECTORS' REPORT

REVIEW OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1997 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA.

This Review of Accounts has been prepared without taking into account Comments U/S 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditor's Report.

I. FINANCIAL POSITION

The table below summarises the financial position of the Company in the last three years:

	1994-95	1995-96	1996-97
			(Rs in crores)
LIABILITIES:			
a) Paid up Capital			
(i) Government (Govt. of Karnataka)	50.77	67.77	**67.77**
(ii) Others (SAIL — Holding Company)	76.15	132.23	**181.73**
	126.92	200.00	**249.50**
b) Reserves & Surplus			
Capital Reserves	5.67	5.73	**5.71**
c) Borrowings			
i) Cash Credit	38.83	40.40	**45.08**
ii) Others			
a) Holding Company - SAIL	205.50	211.21	**68.44**
b) Others	11.49	11.57	**12.31**
iii) Interest accrued & due	1.28	17.37	**56.63**
d) (i) Current Liabilities and Provisions (excluding gratuity provision)	123.63	137.83	**132.92**
(ii) Gratuity provision	6.74	11.27	**24.34**
Total	520.06	635.38	**594.93**
ASSETS:			
e) Gross Block	138.02	262.05	**260.28**
f) Less: Cumulative depreciation	84.16	90.23	**100.28**
g) Net Block	53.86	171.82	**160.00**
Add: phased out fixed assets	0.86	0.12	**0.02**
	54.72	171.94	**160.02**
h) Capital work-in-progress	102.45	18.96	**20.65**
i) Investments	0.03	0.03	**0.03**
j) (i) Current Assets, Loans & Advances	216.86	249.15	**252.58**
(ii) Loan to Karnataka Power Corporation(KPCL) (Long term Loan)*	31.13	44.96	**59.88**
k) Miscellaneous expenditure not written off	3.31	1.40	**0.00**
l) Accumulated loss	111.56	148.94	**101.77**
Total	520.06	635.38	**594.93**
m) Working Capital [j(i)-d(i)-c(iii)]	91.95	93.95	**63.03**
n) Capital employed (g+m)	146.67	265.89	**223.05**
o) Net Worth [a+b)-(k-l)]	17.72	55.39	**153.44**
p) Net Worth per Rupee of Paid-up Capital (Rs.)	0.14	0.28	**0.61**

Accumulated loss as at 31.3.1996 Rs.148.94 crores was completely adjusted against the loans from holding company SAIL. The accumulated loss shown as on 31.3.1997, Rs.101.77 crores represents only the net loss during the year.

** Not considered as a Current Asset for purpose of any calculations in succeeding paras.*

SHARE CAPITAL & NETWORTH

	1994-95	1995-96	1996-97
Share Capital	126.92	200.00	**249.50**
Networth	17.72	55.39	**153.44**

i) Steep increase in net worth during the year is due to adjustment of accumulated losses as on 31.3.1996, Rs.148.94 crores against the loans from holding company SAIL.

ii) Increase in share capital by Rs.49.50 crores due to conversion of holding company loan into equity.

II. RATIO ANALYSIS

Some of the important financial ratios relating to the financial health and working of the company at the end of the last 3 years are as under:

	1994-95	1995-96	1996-97
A. Liquidity Ratios:			
(i) Current Ratio (Current assets to current liabilities & provisions and interest accrued and due but excluding provision for gratuity [j(i)/d(i)+c(iii)]	173.61%	160.53%	**133.25%**
(ii) Quick ratio (Quick assets - consisting of sundry debtors, cash and bank balances and advances - to current liabilities excluding provisions)	52.77%	48.07%	**36.46%**

Sundry Debtors constitute 75.23% of the quick assets and so the company is likely to face liquidity problems if the debtors are not collected regularly. However, 70.24% of the sundry debtors are less than 6 months old.

	1994-95	1995-96	1996-97
B. Debt Equity Ratio			
Long term debt to Equity [c(ii)/o]	1224.55%	402.20%	**52.63%**

The drastic decrease in Debt Equity Ratio in 1996-97 was on account of:

i) adjustment of accumulated losses as on 31.3.1996 Rs.148.94 crores against the loans from holding company SAIL.

ii) increase in share capital by Rs.49.50 crores due to conversion of holding company loan into equity.

C. Profitability Ratios

As the company, has been making losses, these ratios are not furnished.

	1994-95	1995-96	1996-97
III. WORKING CAPITAL			
Working Capital (Rs in crores)	91.95	93.95	**63.03**
Working Capital to Sales	44.00%	44.49%	**25.90%**

Increase in working capital to sales ratio is mainly due to increase in turnover as well as due to reduction in working capital on account of increase in interest accrued and due on holding Company loans.

IV. SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.98.61 crores were generated and utilised during the year as given below

		(Rs in crores)
Sources of funds:		
Increase in Shareholders' funds		49.50
Increase in borrowed funds		11.59
Sale of fixed assets		6.60
Decrease in Working Capital		30.92
		98.61
Utilisation of funds:		
Additions to fixed assets	4.58	
Add: Increase in Capital work-in-Progress	1.69	6.27
Funds absorbed by operations:		
Loss during the year	101.77	
Less: Depreciation	10.05	
Less: Increase in gratuity provision	13.07	
Less: Misc. expenditure written off	1.40	
Add: Profit on sale of fixed assets	0.15	
Add: Decrease in capital reserve	0.02	77.42
Loan to KPCL		14.92
		98.61

V. WORKING RESULTS

The working results of the company for the last three years are tabulated below:

	1994-95	1995-96	**1996-97**
			(Rs. in crores)
Sales	208.99	211.19	**243.35**
Loss	27.05	37.38	**101.77**

(i) The loss for the year should be viewed in the light of the following reliefs and concessions:

	(Rs in crores)
a) Concessional power tariff	6.41
b) Subsidy in power charges	1.26
c) Waiver of interest/penalty for delayed payment of power charges	
	2.14

(ii) The loss for the year increased by Rs.64.39 crores mainly due to

a) increase in interest due on SAIL loans by Rs.39.26 crores as there was no waiver of interest on loans by SAIL as in earlier years.

b) provision for gratuity Rs.12.67 crores for the period upto 31.3.1988 made during the year

c) reversal of interest of Rs.5.81 crores wrongly capitalised in 1995-96 and accounting the same as revenue expenditure in Profit and Loss Account.

d) the increase in sales by Rs.32.16 crores and accretion to stock of finished goods and semi-finished goods by Rs.23.96 crores was almost offset by increase in consumption of raw materials (Rs.50.37 crores).

(iii) Sales for the year increased by Rs.32.16 crores mainly due to increased sales of Pig Iron and skull scrap.

VI. INVENTORY LEVELS

The inventory levels at the close of the last three years were as under:-

	1994-95	1995-96	**1996-97**
			(Rs in crores)
a) Raw materials			
Scrap	8.76	16.14	**22.94**
Others	15.35	36.93	**17.15**
b) Stores and Spares	21.03	23.13	**22.20**
c) Finished Goods	69.33	60.14	**78.71**
d) Semi-finished Goods work-in-progress	24.42	29.31	**34.70**
Total	138.89	165.65	**175.70**

The increase in the inventory at the end of 1996-97 was largely due to the stock of saleable alloy and special steel produced against customer order but not lifted by the customer due to recessionary trend in the market.

The stock of finished goods represented 4.58 months' sales in 1994-95, 3.81 months' sales in 1995-96 and 4.32 months' sales in 1996-97.

VII. SUNDRY DEBTORS

The Sundry Debtors and Sales for the last three years were as under:

As on 31st March	Considered Good	Considered Doubtful	Total Sundry Debtors	Sales	% of Debtors to Sales
					(Rs. in crores)
1995	49.09	5.18	54.27	208.99	25.97
1996	56.93	5.53	62.46	211.19	29.58
1997	**51.99**	**6.82**	**58.81**	**243.35**	**24.17**

The age-wise analysis of the Sundry Debtors as on 31.3.1997 is given hereunder:

	(Rs in crores)
Debts outstanding for	
(i) Upto one year	45.18
(ii) More than one year but less than two years	2.48
(iii) Two years and above but less than three years	1.75
(iv) Three years and above	9.40
Total	58.81

Sd/-
(SHANKAR NARAYAN)
PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD

Bangalore
Date: 23rd July, 1997

FORM - A

Form for disclosure of particulars with respect to conservation of Energy:

	Unit	1996-97	1995-96
A. POWER AND FUEL CONSUMPTION:			
1. Electricity:			
a) Purchased:			
Million Units	MU	**149.742**	207.22
Total Amount	Rs./Lakhs	**3461.40**	4924
Rate/Unit	Rs./Kwh	**2.31**	2.38
b) Own Generation:			
i) Through diesel Generator			
Unit	MU	**21.88**	15.08
Unit per Ltr. of diesel oil/Fur. Oil	Kwh/Lt	**4.06**	3.83
Cost/Unit	Rs./Kwh	**2.74**	2.78
ii) Through steam turbine/generator			
Unit	MU	**NA**	NA
Unit per Ltr. of Fuel Oil	Kwh/Lt	**NA**	NA
Cost/Unit	Rs./Kwh	**NA**	NA
2. Charcoal (used in Fe.Si.Plant)			
Quantity	T	**8705**	13001
Total Cost	Rs./Lakhs	**279.65**	398.96
Average Rate	Rs./T	**3213**	3069
3. Low Ash Metallurgical coal (LAM Coal) (used in Fe.Si.Plant)			
Quantity	T	**615**	251.60
Total Cost	Rs./Lakhs	**24.79**	7.23
Average Rate	Rs./T	**4031**	2874
4. Coke (used in B.F) (Blast Furnace, Silico Manganese Plants)			
Quantity	T	**148766**	148152
Total Cost	Rs./Lakhs	**8233.81**	7321.52
Average Rate	Rs./T	**5528**	4942
5. Fuel Oil:			
Quantity	KL	**24806**	27880.50
Total Cost	Rs./Lakhs	**1679.50**	1601.82
Average Rate	Rs./KL	**6771**	5745

B. CONSUMPTION PER TONNE OF PRODUCTION:

			Steel		Ferro Alloy	
Sl. No.	Particulars	Unit	**1996-97**	1995-96	**1996-97**	1995-96
1.	Electricity Kwh/T:					
	Purchase	Usage/T	**1316**	1593	**7075**	8521
	Own generation	Usage/T	**140**	103	**1334**	167
2.	Coal/Charcoal	KG/T	**18**	15	**1152**	1270
3.	Coke breeze/ Coke/Leco	KG/T	**1535**	1008	**318**	30
4.	Fuel Oil	LT/T	**370**	374	—	—

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

	1996-97 *(Rs. in lakhs)*
(i) Foreign Exchange earned from exports and other activities	**202.32**
(ii) Foreign exchange used:	
a) CIF value of imports	**1152.97**
b) Other expenditure in foreign currency	**69.66**

FORM - B

Form for disclosure of particulars with respect to Technology Absorption 1996-97

RESEARCH AND DEVELOPMENT

1. Utilisation of BF gas in Heat Treatment Shop.

   Benefits:

   Energy savings (replacing Super Kerosene Oil) in 3 furnaces ie. A2, A3 and A8 (during last year A5 and A6).

2. Based on Technology developed in-house for manufacture of S.G. Iron, one S.G. Iron Roll (440 dia) was cast:

   Benefits:

   This roll is under trial. Presently, the rolls are being purchased from outside agencies.

3. Manufacture of Iron ore pellets by utilisation of Blue dust generated at Kemmangundi mines mixed with screened fines at VISL for use in Blast Furnace operations.

   About 750 Tonnes of Pellets manufactured out of blue dust from Kemmangundi Mines and Iron Ore Fines generated at VISL were tried in Blast Furnace.

   Further trials are necessary with higher quantity of pellets to assess the techno-economic feasibility under different operating conditions.

Future Plan of Action:

1. Optimisation of Blast Furnace gas utilisation
2. Improvement in the quality of continuously cast low alloy grade steels e.g., 20MnCrs5, SAE8620, 50Cr4Vs etc. with installation of Automatic Mould level control.
3. Development of magnesia ramming mass from salvaged basic material and conversion of salvaged M.G.O. Bricks into fresh M.G.O. Bricks.

Expenditure on R&D	Rs. in lakhs
a) Capital	—
b) Recurring	5.51
c) Total	5.51
d) Total R&D expenditure as a percentage of the total turnover (%)	0.02%

TECHNOLOGY ABSORPTION:

1. The development and manufacture of Iron ore pellets is being done in collaboration with the R&D Division of SAIL.
2. By change in the process of manufacture of EN 44 grade steel for export the hardness has been improved.
3. Modifications in process has been made to negate the arising of delayed cracks in die blocks has been developed.
4. Process modification has been made to solve the carbide banding problem in SAE52100 Ball bearing quality steel.

PARTICULARS OF TECHNOLOGIES IMPORTED DURING THE LAST 5 YEARS

Year of import	Status of implementation
Nil	Nil

STEEL AUTHORITY OF INDIA LIMITED

Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

ATTENDANCE SLIP

Folio No. :

Name and Address ....

....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company at NDMC Indoor Stadium, Talkatora Garden, New Delhi.

Member's/Proxy's Name (In Block Letters) ....

Member's/Proxy's Signature ....

Note:

1. Please sign this attendance slip and hand over at the Attendance Verification Counter at the Entrance of the Meeting Hall.
2. This attendance slip is valid only in case shares are held on the date of meeting.
3. REGRET NO GIFTS.

STEEL AUTHORITY OF INDIA LIMITED

Registered Office: Ispat Bhawan, Lodi Road
New Delhi - 110 003

PROXY FORM

I/We .... of ....

in the district of ....
(Write full address)

hereby appoint .... of ....
(Write full address)

or failing him .... of ....
(Write full address)

as my/our proxy and to vote for me/us or my/our behalf at the 25th Annual General Meeting of the Company to be held on 25th September, 1997 at 1030 hours and at any adjournment thereof.

Signed this ....day of 1997

Signature(s) ....

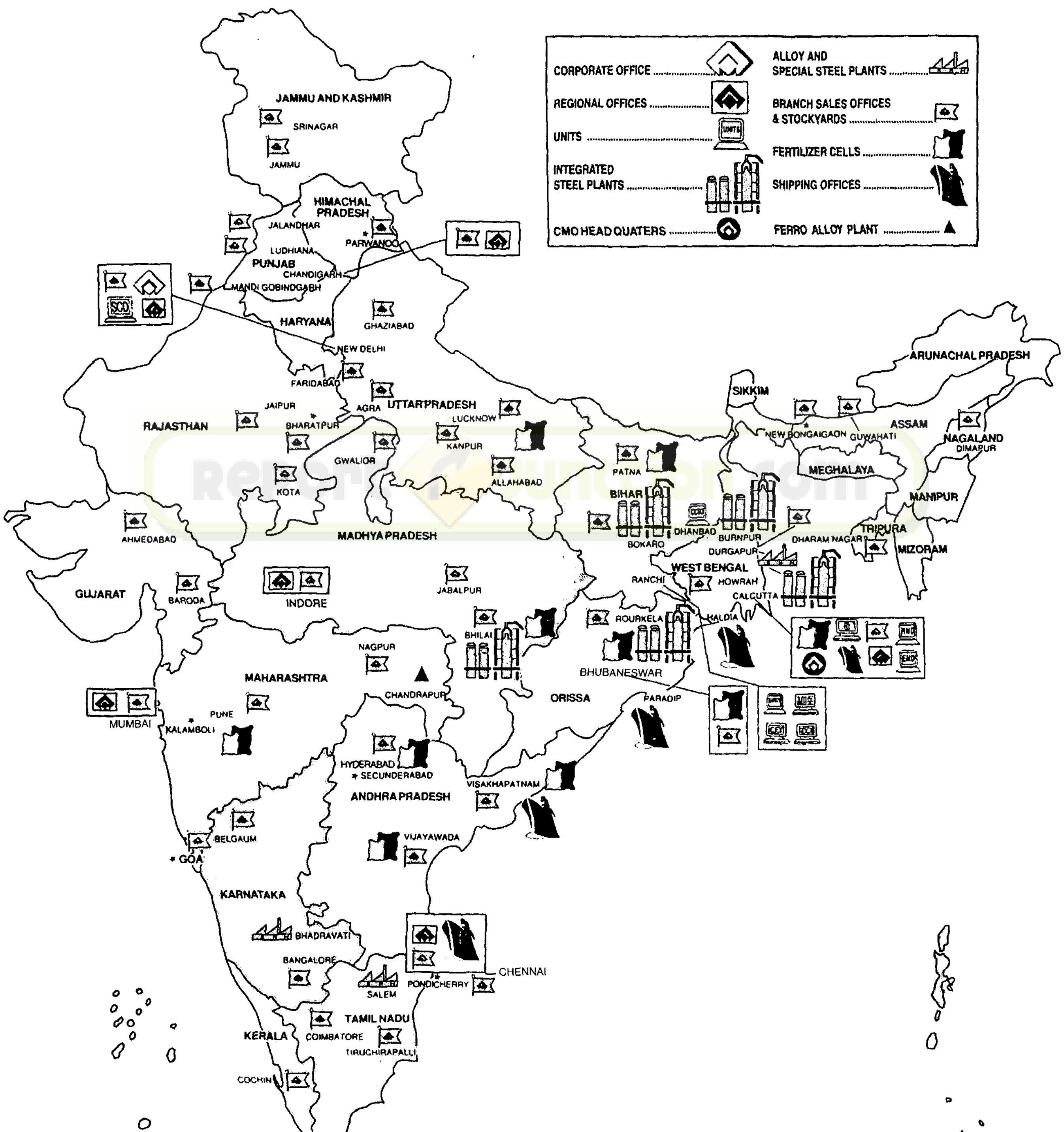
Ledger Folio No. ....

No. of Shares held ....

Please affix 0.30 paise Revenue Stamp

NOTE:
1) The Proxy need NOT be a member.
2) The Proxy Form signed across 30 paise revenue stamp should reach the Company's Registered Office atleast 48 hours before the scheduled time of meeting.
3) Please fill in full particulars.

The SAIL Network



*Mumbai stockyard is at Kalamboli and Hyderabad stockyard is at Secunderabad.
*Parwanoo, New Bongaigaon, Bharatpur, Goa and Pondicherry have stockyard only.

SL. NO. : 114900 FOLIO NO. : 158343

NIKHIL J SHETH

4, CHETAN BLDG
IST FLOOR, RAJAWADI
GHATKOPAR (W)
BOMBAY - 400 077
400077

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